UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

LEON D. BOROCHOFF, on behalf of himself and all others similarly situated,	:	
Plaintiff,	:	CIVIL ACTION
v.	:	
GLAXOSMITHKLINE PLC, et al.,	:	NO. 07-CIV-5574 (LLS)
Defendants.	:	

APPENDIX TO MEMORANDUM OF LAW IN SUPPORT OF DEFENDANTS' MOTION TO DISMISS AMENDED COMPLAINT

Kenneth J. King (KK 3567)
PEPPER HAMILTON LLP
620 Eighth Avenue
37th Floor
New York, NY 10018-1405
(212) 808-2700

and

Robert L. Hickok
Gay Parks Rainville
Michael E. Baughman
PEPPER HAMILTON LLP
3000 Two Logan Square
Eighteenth & Arch Streets
Philadelphia, PA 19103
(215) 981-4000

Attorneys for Defendants
GlaxoSmithKline plc, Jean-Pierre Garnier, Ph.D., David Stout, Julian Heslop and Simon Bicknell

Date: December 13, 2007

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

LEON D. BOROCHOFF, on behalf of himself and all others similarly situated,	:	
Plaintiff,	:	CIVIL ACTION NO. 07-CIV-5574 (LLS)
v.	:	
GLAXOSMITHKLINE PLC, et al.,	:	**AFFIDAVIT OF GAY PARKS RAINVILLE**
Defendants.	:	

The undersigned, Gay Parks Rainville, being duly sworn, deposes and says:

1. I am a partner at the law firm Pepper Hamilton LLP, counsel for defendants in the above-referenced action.

2. I submit this affidavit in support of Defendants' Motion to Dismiss Amended Complaint.

3. Exhibit 1 is a true and correct copy of GSK's Form 6-K (filed on 10/27/05).

4. Exhibit 2 is a true and correct copy of GSK's 2005 Form 20-F (filed on 3/3/06).

5. Exhibit 3 is a true and correct copy of GSK's Form 6-K (filed on 10/26/06).

6. Exhibit 4 is a true and correct copy of GSK's Form 6-K (filed on 10/31/06).

7. Exhibit 5 is a true and correct copy of GSK's Form 6-K (filed on 1/9/07).

8. Exhibit 6 is a true and correct copy of GSK's Form 6-K (filed on 2/13/07).

9. Exhibit 7 is a true and correct copy of GSK's Form 6-K (filed on 2/8/07).

10. Exhibit 8 is a true and correct copy of GSK's Form 6-K (filed on 2/9/07).

11. Exhibit 9 is a true and correct copy of GSK's 2006 Form 20-F (filed on 3/2/07).

12. Exhibit 10 is a true and correct copy of GSK's 10/26/06 Conference Call Transcript.

13. Exhibit 11 is a true and correct copy of GSK, 2/8/07 Conference Call Transcript.

14. Exhibit 12 is a true and correct copy of U.S. Dep't of Health & Human Serv., FDA, CDER, The CDER Handbook, (last revised 03/16/98).

15. Exhibit 13 is a true and correct copy of U.S. Dep't of Health & Human Serv., FDA, CDER, CBER Guidance for Industry: Good Pharmacovigilance Practices and Pharmacoepidemiologic Assessment (March 2005).

16. Exhibit 14 is a true and correct copy of U.S. Dep't of Health & Human Serv., FDA, CDER Guidance: Drug Safety Information – FDA's Communication to the Public (March 2007).

17. Exhibit 15 is a true and correct copy of Statement of FDA Commissioner, Andrew C. von Eschenbach, M.D., before the United States House of Representatives' Committee on Oversight and Government Reform (6/6/07).

18. Exhibit 16 is a true and correct copy of FDA Briefing Document for Thiazolidinedione/Rosiglitazone Public Advisory Committee Meeting (dated 07/09/07).

19. Exhibit 17 is a true and correct copy of FDA Background Introductory Memorandum for July 30, 2007 Advisory Committee Meeting (dated 07/09/07).

20. Exhibit 18 is a true and correct copy of FDA Alert, Information for Healthcare Professionals (dated May 2007).

21. Exhibit 19 is a true and correct copy of GSK Press Release, Preliminary Results Announcement for the year ended 31st December 2005 (Feb. 8, 2006).

22. Exhibit 20 is a true and correct copy of GSK Press Release, Results announcement for the first quarter 2006 (April 27, 2006).

23. Exhibit 21 is a true and correct copy of GSK Press Release, GSK Press Release, Results announcement for the first quarter 2006 (July 26, 2006).

24. Exhibit 22 is a true and correct copy of GSK Press Release, Avandia® (rosiglitazone maleate) Reduced Risk of Progression From Pre-Diabetes to Type 2 Diabetes by 62 Percent in Largest Completed Diabetes Prevention Trial (Sept. 15, 2006).

25. Exhibit 23 is a true and correct copy of GSK Press Release, Results announcement for the third quarter 2006 (Oct.26, 2006).

26. Exhibit 24 is a true and correct copy of GSK Press Release, Landmark Study Shows Avandia® Is More Effective Than Metformin Or A Sulphonylurea In Long-Term Blood Sugar Control In Type 2 Diabetes (Dec. 4, 2006).

27. Exhibit 25 is a true and correct copy of GSK Press Release, Preliminary Results Announcement for the year ended 31st December 2006 (Feb. 8, 2007).

28. Exhibit 26 is a true and correct copy of FDA Press Release, FDA Issues Safety Alert on Avandia (May 21, 2007).

29. Exhibit 27 is a true and correct copy of EMEA Press Release, EMEA statement on recent publication on cardiac safety or rosiglitazone (May 23, 2007).

30. Exhibit 28 is a true and correct copy of FDA Press Release, FDA Adds Boxed Warning for Heart-related Risks to Anti-Diabetes Drug Avandia: Agency says drug to remain on market, while safety assessment continues, (Nov. 14, 2007).

31. Exhibit 29 is a true and correct copy of GSK Press Release, GlaxoSmithKline revises US labeling for Avandia®, (Nov.14, 2007).

32. Exhibit 30 is a true and correct copy of EMEA, Avandia: Procedural steps taken and scientific information after authorization.

33. Exhibit 31 is a true and correct copy of EMEA, A Guideline on Summary of Product Characteristics (Oct. 2005).

34. Exhibit 32 is a true and correct copy of Pharmaceutical and Research Manufacturers of America, Delivering on the Promise of Pharmaceutical Innovation: The Need to Maintain Strong and Predictable Intellectual Property Rights 8-9 (Apr. 22, 2002).

35. Exhibit 33 is a true and correct copy of The DREAM Trial Investigators, *Effect of rosiglitazone on the frequency of diabetes in patients with impaired glucose tolerance or impaired fasting glucose: a randomized controlled trial*, 368 The Lancet 1096 (Sept. 15, 2006).

36. Exhibit 34 is a true and correct copy of Matthew Herper and Peter Kang, *Glaxo's Faustian Pill*, Forbes, September 15, 2006.

37. Exhibit 35 is a true and correct copy of Amanda Gardner, New Type 2 Diabetes Drug Delays Disease Progression But Side Effects Include Cardiovascular Risks, Study Finds, Health Day, December 4, 2006.

38. Exhibit 36 is a true and correct copy of Steven E. Kahn et al., *Glycemic Durability of Rosiglitazone, Metformin, or Glyburide Monotherapy*, 355 N. Engl. J. Med. 2427 (Dec. 7, 2006).

39. Exhibit 37 is a true and correct copy of Steven E. Nissen, M.D. and Kathy Wolski, M.P.H., *Effect of Rosiglitazone on the Risk of Myocardial Infarction and Death from Cardiovascular Causes*, 356 N. Engl. J. Med. 2457, 2457-59 (June 14, 2007)(published online May 21, 2007).

40. Exhibit 38 is a true and correct copy of Anna Wilde Mathews, *Medical Detective – Sequel for Vioxx Critic: Attack on Diabetes Pill: Glaxo Shares Plunge as Dr. Nissen Sees Risk to Heart from Avandia*, Wall St. J., May 22, 2007, at A1).

41. Exhibit 39 is a true and correct copy of Jeanne Whalen, *In Europe, Warning on Avandia is Old News*, Wall St. J., May 23. 2007.

42. Exhibit 40 is a true and correct copy of Sarah Rubenstein, *Glaxo Letter Defends Avandia*, Wall St. J., May 31, 2007.

43. Exhibit 41 is a true and correct copy of Philip D. Home, D.M., et al., *Rosiglitazone Evaluated for Cardiovascular Outcomes – An Interim Analysis*, 357 N. Engl. J. Med. 28, 29-30 (July 5, 2007) (available on-line June 5, 2007).

44. Exhibit 42 is a true and correct copy of Jeanne Whalen, *Boss Talk: Glaxo's Garnier Is Taking the Heat – Defending Safety of Avandia Preoccupies, But Doesn't Consume, Drug Company's CEO,* Wall St. J., July 9, 2007, at B1.

45. Exhibit 43 is a true and correct copy of The American Heart Association's Cardiac Glossary.

46. Exhibit 44 is a true and correct copy of ClinicalTrials.gov, Glossary of Clinical Trials Terms.

47. Exhibit 45 is a true and correct copy of Results from Avandia Cardiovascular Event Modeling Project and Coronary Heart Disease Outcomes in Patients Receiving Antidiabetic Agents (posted on GSK's Clinical Trial Register on or about 10/27/06).

48. Exhibit 46 is a true and correct copy of Summary Chart: "GlaxoSmithKline Changes in Holdings for Named Defendants".

49. Exhibit 46a is a true and correct copy of SEC Supporting Data for J.Garnier.

50. Exhibit 46b is a true and correct copy of SEC Supporting Data for J. Heslop and Spouse.

51. Exhibit 46c is a true and correct copy of SEC Supporting Data for D. Stout.

Gay Parks Rainville (GR 9704)
PEPPER HAMILTON LLP
3000 Two Logan Square
Eighteenth & Arch Streets
Philadelphia, PA 19103
(215) 981-4000

Attorneys for Defendants
GlaxoSmithKline plc, Jean-Pierre Garnier, Ph.D., David Stout, Julian Heslop and Simon Bicknell

Sworn to before me this
13th day of December 2007

Notary Public

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
SANDRA HENDRICK, Notary Public
City of Philadelphia, Phila. County
My Commission Expires November 14, 2011

INDEX OF EXHIBITS

Tab	Description
16.	FDA Briefing Document for Thiazolidinedione/Rosiglitazone Public Advisory Committee Meeting (dated 07/09/07)
17.	FDA Background Introductory Memorandum for July 30, 2007 Advisory Committee Meeting (dated 07/09/07)
18.	FDA Alert, Information for Healthcare Professionals (dated May 2007)
	Press Releases
19.	GSK Press Release, Preliminary Announcement Results for the year ended 31st December 2005 (Feb. 8, 2006)
20.	GSK Press Release, Results announcement for the first quarter 2006 (April 27, 2006)
21.	GSK Press Release, Results announcement for the second quarter 2006 (July 26, 2006)
22.	GSK Press Release, Avandia® (rosiglitazone maleate) Reduced Risk of Progression From Pre-Diabetes to Type 2 Diabetes by 62 Percent in Largest Completed Diabetes Prevention Trial (Sept. 15,2006)
23.	GSK Press Release, Results announcement for the third quarter 2006 (Oct. 26,2006)
24.	GSK Press Release, Landmark Study Shows Avandia® Is More Effective Than Metformin Or A Sulphonylurea In Long-Term Blood Sugar Control In Type 2 Diabetes (Dec. 4, 2006)
25.	GSK Press Release, Preliminary Results Announcement for the year ended 31st December 2006 (Feb. 8, 2007)
26.	FDA Press Release, FDA Issues Safety Alert on Avandia (May 21, 2007)
27.	EMEA Press Release, EMEA statement on recent publication on cardiac safety of rosiglitazone (May 23, 2007)
28.	FDA Press Release, FDA Adds Boxed Warning for Heart-related Risks to Anti-Diabetes Drug Avandia: Agency says drug to remain on market, while safety assessment continues, (Nov. 14, 2007)
29.	GSK Press Release, GlaxoSmithKline revises US labeling for Avandia®, (Nov. 14, 2007)

Tab	Description
	EMEA Documents
30.	EMEA, Avandia: Procedural steps taken and scientific information after authorization
31.	EMEA, A Guideline on Summary of Product Characteristics (Oct. 2005)
	Newspaper and Journal Articles
32.	Pharmaceutical and Research Manufacturers of America, Delivering on the Promise of Pharmaceutical Innovation: The Need to Maintain Strong and Predictable Intellectual Property Rights 8-9 (Apr. 22, 2002)
33.	The DREAM Trial Investigators, *Effect of rosiglitazone on the frequency of diabetes in patients with impaired glucose tolerance or impaired fasting glucose: a randomized controlled trial*, 368 The Lancet 1096 (Sept. 15, 2006)
34.	Matthew Herper and Peter Kang, *Glaxo's Faustian Pill*, Forbes, September 15, 2006
35.	Amanda Gardner, New Type 2 Diabetes Drug Delays Disease Progression But Side Effects Include Cardiovascular Risks, Study Finds, Health Day, December 4, 2006
36.	Steven E. Kahn et al., *Glycemic Durability of Rosiglitazone, Metformin, or Glyburide Monotherapy*, 355 N. Engl. J. Med. 2427 (Dec. 7, 2006)
37.	Steven E. Nissen, M.D. and Kathy Wolski, M.P.H., *Effect of Rosiglitazone on the Risk of Myocardial Infarction and Death from Cardiovascular Causes*, 356 N. Engl. J. Med. 2457, 2457-59 (June 14, 2007)(published online May 21, 2007)
38.	Anna Wilde Mathews, *Medical Detective – Sequel for Vioxx Critic: Attack on Diabetes Pill: Glaxo Shares Plunge as Dr. Nissen Sees Risk to Heart from Avandia*, Wall St. J., May 22, 2007, at A1.)
39.	Jeanne Whalen, *In Europe, Warning on Avandia is Old News*, Wall St. J., May 23. 2007
40.	Sarah Rubenstein, *Glaxo Letter Defends Avandia*, Wall St. J., May 31, 2007
41.	Philip D. Home, D.M., et al., *Rosiglitazone Evaluated for Cardiovascular Outcomes – An Interim Analysis*, 357 N. Engl. J. Med. 28, 29-30 (July 5, 2007) (available on-line June 5, 2007)

Tab	Description
42.	Jeanne Whalen, *Boss Talk: Glaxo's Garnier Is Taking the Heat – Defending Safety of Avandia Preoccupies, But Doesn't Consume, Drug Company's CEO,* Wall St. J., July 9, 2007, at B1
	Miscellaneous Publicly Available Information
43.	The American Heart Association's Cardiac Glossary
44.	ClinicalTrials.gov, Glossary of Clinical Trials Terms
45.	Results from Avandia Cardiovascular Event Modeling Project and Coronary Heart Disease Outcomes in Patients Receiving Antidiabetic Agents (posted on GSK's Clinical Trial Register on or about 10/27/06)
46.	Summary Chart: "GlaxoSmithKline Changes in Holdings for Named Defendants"
46a.	SEC Supporting Data for J.Garnier
46b.	SEC Supporting Data for J. Heslop and Spouse
46c.	SEC Supporting Data for D. Stout

EXHIBIT 1

7 of 63 DOCUMENTS

GLAXOSMITHKLINE PLC

FORM TYPE: 6-K

DOCUMENT DATE: October 27, 2005

FILING DATE: October 27, 2005

*** * * * * * * * * * COMPANY INFORMATION * * * * * * * * * ***
ADDRESS: BRENTFORD MIDDLESEX, TW8 9GS
CIK: 0001131399
TICKER: GSK
EXCHANGE: NYSE
SIC CODES:
2834 - Pharmaceutical preparations
INDUSTRY TYPE: Major Drugs
SECTOR ID: Healthcare

*** * * * * * * * * * FILING DATA * * * * * * * * * ***
REPORT PERIOD: October 27, 2005
SEC FILE NUMBER: 001-15170

*** * * * * * * * * * CONTENTS * * * * * * * * * ***

*** * * * * * * * * * TEXT * * * * * * * * * ***

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

FORM 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the period ending 27th October 2005

GlaxoSmithKline plc

(Name of registrant)

980 Great West Road,

Brentford,

Middlesex, TW8 9GS

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby

furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-104121) OF GLAXOSMITHKLINE PLC, GLAXOSMITHKLINE CAPITAL INC. AND GLAXOSMITHKLINE CAPITAL PLC AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

Issued:

27th October 2005, London

GSK delivers EPS of 21.3p up 16% CER (20% reported)

2005 guidance raised to mid-teens EPS percentage growth (in CER terms)

GlaxoSmithKline plc (GSK) today announces its results for the third quarter ended 30th September 2005. The full results, which have been prepared under IFRS, are presented under Income Statement on pages 7 and 8, and are summarised below.

FINANCIAL RESULTS*

	Q3 2005	Q3 2004	Growth		9 months 2005	9 months 2004	Growth	
	£m	£m	CER%	£%	£m	£m	CER%	£%
Turnover	5,471	4,924	9	11	15,753	14,750	7	7
Operating profit	1,783	1,497	14	19	5,241	4,515	15	16
Profit before tax	1,753	1,451	16	21	5,126	4,457	14	15
Earnings per share	21.3p	17.7p	16	20	62.8p	54.6p	14	15

Q3 2005 SUMMARY*

* Excellent pharmaceutical sales growth of 10% to £4.7 billion
  - Strong growth achieved across all regions: USA (+11% to £2.4 billion), Europe (+9% to £1.3 billion) and International markets (+8% to £1.0 billion).
  - Key products continue to perform well:
    - Advair for asthma (+20% to £737 million)
    - Avandia/Avandamet for diabetes (+22% to £355 million)
    - Vaccines (+20% to £399 million)
    - Lamictal , Coreg and Valtrex together grew 25% to £543 million.
* 2005 earnings guidance raised
  - EPS up 16% CER in the quarter to 21.3p, with year-to-date growth of 14% CER.

- Strong performance this year is expected to continue into the fourth quarter and GSK has therefore raised its full-year 2005 earnings guidance to mid-teens EPS percentage growth in CER terms.

* R&D seminar announced

- GSK to profile oncology and supportive-care portfolio in New York on 30th November 2005.

Commenting on the performance for the quarter and GSK's outlook, JP Garnier, Chief Executive Officer, said: This quarters performance shows the vitality of our business, which is again being driven by great performances from key products such as Advair, Avandia and our Vaccines franchise. GSK is facing the future with confidence - today we are raising our earnings guidance for 2005 and confirming that we will review our promising oncology portfolio at an R&D seminar in November.

* The Group's practice is to discuss its results in terms of constant exchange rate (CER) growth. All commentaries compare 2005 results with 2004 in CER terms unless otherwise stated. See 'Accounting Presentation and Policies' on page 21 for a fuller explanation.

PRODUCT UPDATE

Strong performance of key growth drivers: pharma sales growth accelerates to 10%

* Pharmaceutical growth was 11% in the USA, 9% in Europe and 8% in International. Wholesaler stock movements had no significant impact on the growth rate of the US business.

* GSKs biggest-selling product, Seretide/Advair for asthma and COPD, had another strong quarter, with total sales up 20% to £737 million. US sales rose 20% to £417 million and European sales were up 17% to £246 million. Seretide/Advair continues to gain market share across all regions.

* Sales of diabetes treatments Avandia/Avandamet were up 22% to £355 million in the quarter. In the USA, sales rose 21% to £265 million, while in Europe sales increased 44% to £40 million.

* Lamictal sales grew 20% to £210 million. New guidelines were published in Julys Journal of Clinical Psychiatry reinforcing its use as first line maintenance treatment for bipolar disorder. Sales of Valtrex for herpes grew 20% to £179 million. Sales of heart disease treatment Coreg increased 39% to £154 million. Positive data on once-daily Coreg CR were received in the quarter and the product is on track for filing with the FDA by the end of the year.

High-potential new products gaining momentum

* Sales of Requip rose 41% to £42 million. In the USA, weekly new prescriptions for the product have more than tripled since its approval for Restless Legs Syndrome (RLS) in May. Requip (Adartrel) also received a positive CHMP opinion in the EU for the treatment of RLS on 16th September and launch of the product in Europe is expected during H1 2006.

* Avodart for benign prostatic hyperplasia (enlarged prostate) continues to gain momentum, with sales rising 98% in the quarter to £36 million. Avodart now accounts for 40% of new prescriptions in the US 5-Alpha Reductase Inhibitor market.

* Demand for Bonviva/Boniva , an effective once-monthly oral bisphosphonate for the treatment of osteoporosis, continued to build in the quarter. Since its launch in the USA in April, Boniva has achieved a 10% share of new prescriptions in the oral bisphosphonate market. Bonviva was approved in the EU on 19th September and has recently been launched in several markets, including the UK and Germany.

Vaccines grow 20%; $2 billion recently committed in strategic moves to strengthen business

* GSKs Vaccines business continues to perform well with sales up 20% to £399 million in the quarter. US sales were particularly strong (+82% to £123 million), boosted by two new launches: Fluarix for protection against influenza and Boostrix , a new vaccine that adds protection against pertussis (whooping cough) to the routine tetanus/diphtheria booster administered to teenagers. European sales (+7% to £162 million) were helped by the strong performance of Infanrix (+35% to £57 million), following the withdrawal of a competitor product, Hexavac, in September.

* GSK also made two further strategic moves during the quarter to strengthen its vaccines business:

  -- On 1st September, GSK announced the acquisition of a vaccine R&D facility in Marietta, Pennsylvania, which will focus on the development and production of tissue culture technology to produce the next generation of vaccines, including flu vaccines.

  -- GSK announced, on 7th September, the proposed acquisition of ID Biomedical Corporation for approximately $1.4 billion. This purchase, which is expected to close at the end of 2005 or early in 2006 following regulatory and shareholder approval, should allow GSK to increase its annual flu vaccine production capacity by an additional 75 million doses per year by 2007.

  These moves follow announcements in July of the expansion of GSKs Dresden manufacturing plant to produce 80 million doses of flu vaccine by 2008 and GSKs $270 million purchase of the adjuvant technology company, Corixa Corporation.

2

Preparations for an influenza pandemic

* GSK is building capacity to produce a vaccine for use in a flu pandemic. In conjunction with the significant increase in capacity expected as a result of the strategic moves set out above, GSK is also preparing a plan to convert more of its manufacturing capabilities to produce a pandemic flu vaccine, if required.

* GSK is developing an H5N1 prototype pandemic vaccine . The prototype uses an alum adjuvant which is expected to increase the bodys immune response to the vaccine at a lower dose resulting in a greater capacity to supply the pandemic vaccine. Clinical trials testing this vaccine against the H5N1 flu strain will begin shortly and results will be available in the second quarter of 2006.

* Recent concerns of a possible flu pandemic have significantly increased current demand for GSKs antiviral, Relenza . GSK is therefore actively seeking to expand its manufacturing capacity for Relenza , including use of partners to produce Relenza and alternative delivery mechanisms. In addition, GSK expects to file for approval of Relenza for influenza prophylaxis with US and European regulators later this year.

Other significant products

* Sales of GSKs HIV franchise rose 5% to £399 million. GSKs new products Epzicom/Kivexa and Lexiva performed strongly, contributing more than £60 million of sales in the quarter.

* Total Wellbutrin sales rose 9% to £192 million - the first increase since generic competition to Wellbutrin SR began in the first quarter of 2004. Wellbutrin XL continues to grow strongly with sales up 31% to £169 million in the quarter.

* Total sales of the Paxil franchise fell 44% to £142 million. Sales of Paxil IR (-20% to £118 million) continue to fall as a result of generic competition. Sales of Paxil CR were £24 million. Following the interruption in product supply earlier in the year, the product has now recaptured almost 60% of its previous share of weekly new prescriptions in the USA.

* Sales of anti-thrombotic agents, Fraxiparine and Arixtra , were £56

million in the quarter. In a 20,000 patient head-to-head study versus market leader Lovenox, Arixtra was shown to be as effective in preventing death, myocardial infarction and refractory ischaemia in patients with Acute Coronary Syndrome (ACS), but with significantly less major bleeding than Lovenox. GSK plans to file Arixtra for an ACS indication during 2006.

3

PIPELINE UPDATE

News on product filings and Phase III assets

* On 14th September, the FDAs Oncologic Drugs Advisory Committee (ODAC) recommended accelerated approval of Arranon , GSKs new treatment for acute T-cell lymphoblastic leukaemia and lymphoma in children and adults. The product is expected to be launched in the US market in Q1 2006.

* Trexima , a product developed with Pozen Inc, for the treatment of migraine, was filed with the FDA during the quarter. Phase III trials of Trexima showed a statistically significant higher pain-free response compared with the current gold standard Imigran/Imitrex . FDA approval and launch of the product is expected in H2 2006.

* Cervarix , GSKs HPV vaccine for cervical cancer, continues to progress well in clinical development. Positive new Phase III immunology and safety data were received in the quarter in over 3,000 women. These results will be communicated in scientific conferences in the coming months. Regulatory filings of Cervarix will take place in Europe in H1 2006 and International markets during 2006.

* GSK announced on 12th September that Entereg (alvimopan), developed with the Adolor Corporation, has entered Phase III trials for the treatment of opiate-induced constipation (OIC). This follows excellent Phase II data which showed a clinically significant increase in bowel movement and frequency versus placebo for patients taking chronic opioid medication. It is expected that Entereg will be filed with the FDA for this indication in 2007.

* GSK is in the process of finalising the clinical plan for radafaxine , including final dose selection for the pivotal studies in depression. These studies are now expected to start by the first quarter of 2006. Filing is now expected to be after 2007.

* As recently announced, GSK has terminated patient enrolment in clinical trials for aplaviroc for HIV due to reports of hepatotoxicity. No further clinical studies of the compound are planned at this time.

CONSUMER HEALTHCARE UPDATE

Consumer Healthcare sales grew 3%. Sales grew 7% in Europe and 5% in International markets. Sales in North America were 4% lower, primarily due to the impact of product divestments in 2004.

Nutritional healthcare products sales grew 12% to £168 million. Sales growth was led by Lucozade (+19%) and Ribena (+12%), reflecting strong performances in Europe. Horlicks grew 4% worldwide, with good growth in International where it grew 8%.

Oral care sales grew 4% to £247 million. Sales of Sensodyne and the Denture care brands (Polident, Poligrip and Corega) grew by 10% and 7%, respectively, helping to offset lower sales of other toothpaste products.

Over-the-counter medicine sales of £347 million were down 1%. Growth from Analgesics (+10%) and Smoking control products (+4%) helped offset the loss of sales from the divested products. Panadol (+19%) in International markets was the key driver of the growth for Analgesics.

During the third quarter, the FDA accepted for review the Group's application requesting approval to market orlistat for weight loss as an over-the-counter medicine.

4

FINANCIAL REVIEW

These results have been prepared under International Financial Reporting Standards (see Accounting Presentation and Policies on page 21.

Operating profit and earnings per shareOperating profit of £1,783 million grew by 14%, which was above the sales growth of 9%, primarily reflecting a cost of goods increase of only 6% and gains from asset disposals, included in other operating income. These were partly offset by increased R&D expenditure and increased costs for legal matters and charges related to cost saving programmes, included in SG&A expense.In the quarter, gains from asset disposals were £122 million (£4 million in Q3 2004), legal costs were £190 million (£121 million in Q3 2004) and charges related to cost saving programmes were £29 million (£4 million in Q3 2004).EPS of 21.3 pence increased 16% in CER terms (20% in sterling terms) compared with Q3 2004. The favourable currency impact of 4% on EPS reflected a stronger US dollar and stronger Euro.

CurrenciesThe third quarter 2005 results are based on average exchange rates, principally £1/$1.79, £1/Euro 1.46 and £1/Yen 199. The period-end exchange rates were £1/$1.77, £1/Euro 1.47 and £1/Yen 201. If the US dollar exchange rate were to hold at this level ($1.77) for the remainder of 2005, the currency impact on earnings per share growth would be approximately 1% favourable for the full year 2005.

DividendOn 26th October 2005 the Board declared a third interim dividend of 10 pence per share. This compares with a dividend of 10 pence per share for Q3 2004. The equivalent dividend receivable by ADR holders is 35.5200 cents per ADS based on an exchange rate of £1/$1.7760. The dividend will have an ex-dividend date of 2nd November 2005 and will be paid on 5th January 2006 to shareholders and ADR holders of record on 4th November 2005.Under IFRS the liability for an interim dividend is only recognised in the period when it is paid, and so the Q3 2005 financial statements do not reflect this dividend (see Dividends on page 14).

Earnings guidanceGSKs earnings guidance for the full-year 2005 is mid-teens EPS percentage growth in CER terms. Previously guidance was low double-digit growth in CER terms.

Share buy-back programmeIn October 2002, GSK commenced a new £4 billion share buy-back programme. At 31st December 2004 £2,199 million of shares had been repurchased under this programme. A further £638 million has been invested in the period to 30th September 2005 in purchasing shares to be held as Treasury shares. The exact amount and timing of future purchases, and the extent to which repurchased shares will be held as Treasury shares rather than being cancelled, will be determined by the company and is dependent on msrket conditions and other factors.

5

GlaxoSmithKline - one of the worlds leading research-based pharmaceutical and healthcare companies - is committed to improving the quality of human life by enabling people to do more, feel better and live longer. For company information including a copy of this announcement and details of the companys updated product development pipeline, visit GSK at www.gsk.com .

Enquiries:	UK Media	Philip Thom-	(020) 8047
		sonDavid Mawd-	5502(020)
		sleyChris	8047 5502(020
		Hunter-Ward	) 8047 5502
	US Media	Nancy Pekarek-	(215) 751
		Mary Anne	7709(919) 483
		RhynePatricia	2839(215) 751
		Seif	7709
	European Ana-	Duncan Lear-	(020) 8047
	lyst / In-	mouthAnita	5540(020)
	vestor	KidgellJen	8047 5542(020
		Hill	) 8047 5543
	US Analyst /	Frank Murdolo-	(215) 751
	Investor	Tom Curry	7002(215) 751
			5419

Brand names appearing in italics throughout this document are trademarks of GSK or associated companies with the exception of Levitra , a trademark of Bayer, Vesicare , a trademark of Astellas, Entereg , a trademark of Adolor and Bonviva/Boniva , a trademark of Roche, which are used under licence by the Group.

Cautionary statement regarding forward-looking statementsUnder the safe harbor provisions of the US Private Securities Litigation Reform Act of 1995, the company cautions investors that any forward-looking statements or projections made by the company, including those made in this Announcement, are subject to risks and uncertainties that may cause actual results to differ materially from those projected. Factors that may affect the Group's operations are described under 'Risk Factors' in the Operating and Financial Review and Prospects in the company's Annual Report 2004.

Return to Contents

INCOME STATEMENTThree months ended 30th September 2005

	Q3 2005 fm		Growth CER%	Q3 2004 fm	
Turnover:					
Pharmaceuticals	4,709		10	4,202	
Consumer Healthcare		762	3		722
TURNOVER	5,471		9	4,924	
Cost of sales	(1,184)		6	(1,105)	
Gross profit	4,287		10	3,819	
Selling, general and administration	(1,884)		13	(1,648)	
Research and development	(803)		15	(696)	
Other operating income		183			22
Operating profit:					
Pharmaceuticals	1,553		12	1,319	
Consumer Healthcare		230	28		178
OPERATING PROFIT	1,783		14	1,497	
Finance income		67			48
Finance expense	(113)			(108)	
Share of after tax profits of associates and joint ventures		16			14
PROFIT BEFORE TAXATION	1,753		16	1,451	
Taxation	(500)			(404)	
Tax rate %	28.5%			27.8%	
PROFIT AFTER TAXATION FOR THE PERIOD	1,253		15	1,047	
Profit attributable to minority interests		46			39
Profit attributable to shareholders	1,207			1,008	
EARNINGS PER	21.3p		16	17.7p	

SHARE		
Diluted earnings per share	21.1p	17.6p

7

Return to Contents

INCOME STATEMENTNine months ended 30th September 2005

	9 months2005	Growth	9 months2004	2004
	£m	CER%	£m	£m
Turnover:				
Pharmaceuticals	13,553	7	12,625	17,100
Consumer Healthcare	2,200	3	2,125	2,886
TURNOVER	15,753	7	14,750	19,986
Cost of sales	(3,466)	8	(3,184)	(4,360)
Gross profit	12,287	6	11,566	15,626
Selling, general and administration	(5,210)	1	(5,156)	(7,201)
Research and development	(2,168)	6	(2,051)	(2,904)
Other operating income	332		156	235
Operating profit:				
Pharmaceuticals	4,719	15	4,094	5,126
Consumer Healthcare	522	23	421	630
OPERATING PROFIT	5,241	15	4,515	5,756
Finance income	172		145	176
Finance expense	(326)		(292)	(362)
Share of after tax profits of associates and joint ventures	39		44	60
Profit on disposal of interest in associates	--		45	149
PROFIT BEFORE TAXATION	5,126	14	4,457	5,779
Taxation	(1,461)		(1,236)	(1,757)
Tax rate %	28.5%		27.7%	30.4%
PROFIT	3,665	13	3,221	4,022

AFTER TAXATION FOR THE PERIOD									
Profit attributable to minority interests		98				87			114
Profit attributable to shareholders		3,567				3,134			3,908
EARNINGS PER SHARE		62.8p			14	54.6p			68.1p
Diluted earnings per share		62.3p				54.4p			68.0p

8

PHARMACEUTICAL TURNOVERThree months ended 30th September 2005

	Total		USA		Europe		International	
	£m	CER%	£m	CER%	£m	CER%	£m	CER%
RESPIRATORY	1,235	13	651	16	388	8	196	18
Seretide / Advair	737	20	417	20	246	17	74	26
Flixotide/ Flovent	151	3	65	8	42	(6)	44	7
Serevent	79	(6)	25	(17)	38	(3)	16	13
Flixonase/ Flonase	166	12	139	16	14	(4)	13	(5)
CENTRAL NERVOUS SYSTEM	806	(5)	517	(6)	171	(6)	118	2
Seroxat/ Paxil	142	(44)	21	(83)	49	(19)	72	
Paxil IR	118	(20)	1	(98)	49	(19)	68	(1)
Paxil CR	24	(77)	20	(80)			4	35
Wellbutrin	192	9	187	10			5	(25)
Well	23	(52)	19	(54)			4	(42)

butrin IR, SR								
Wellbutrin XL	169	31	168	30			1	
Imigran/Imitrex	180	2	131	2	36	1	13	
Lamictal	210	20	145	35	50	(10)	15	20
Requip	42	41	23	62	17	22	2	24
ANTI-VIRALS	664	9	333	7	194	13	137	10
HIV	399	5	198	(1)	154	15	47	7
Combivir	147		71	(3)	58	5	18	(1)
Trizivir	77	(5)	43	(8)	30		4	4
Epivir	65	(13)	22	(39)	30	8	13	19
Ziagen	33	(20)	13	(34)	13	(7)	7	(4)
Retrovir	12	9	5	7	4	5	3	20
Agenerase, Lexiva	31	66	20	43	10	>100	1	1
Epzicom/Kivexa	34	>100	24		9	>100	1	
Herpes	210	16	123	23	35	8	52	6
Valtrex	179	20	121	24	25	10	33	10
Zovirax	31	(4)	2	(47)	10	2	19	(1)
Zeffix	37	9	3	11	4	(11)	30	14
ANTI-BACTERIALS	349	(2)	56	(24)	157	3	136	3
Augmentin	149	(6)	29	(34)	68	7	52	
Augmentin IR	127	(1)	9	(38)	66	6	52	1
Augmentin ES, XR	22	(29)	20	(32)	2	79		

Zinnat/Ceftin	41	(4)	2	>100	19	(14)	20	2
METABOLIC	396	21	268	22	49	28	79	11
Avandia	299	29	226	35	27	9	46	15
Avandamet	56	(5)	39	(24)	13	>100	4	(8)
Boniva	3		3					
VACCINES	399	20	123	82	162	7	114	--
Hepatitis	121	18	43	26	60	16	18	9
Infanrix/Pediarix	125	31	48	44	57	35	20	(1)
ONCOLOGY AND EMESIS	262	5	199	8	40	(5)	23	1
Zofran	215	6	167	8	29	(7)	19	5
Hycamtin	26	(2)	18	2	7	(3)	1	(29)
CARDIOVASCULAR AND UROGENITAL	343	44	205	43	103	55	35	22
Coreg	154	39	153	40			1	(29)
Levitra	9	(20)	7	>100	1	(76)	1	(90)
Avodart	36	98	20	>100	14	75	2	>100
Arixtra	7	>100	4	>100	2	>100	1	>100
Fraxiparine	49	>100			43	>100	6	>100
Vesicare	4		4					
OTHER	255	8	17	(21)	76	15	162	9
Zantac	61	(8)	15	(16)	16	(7)	30	(5)
	4,709	10	2,369	11	1,340	9	1,000	8

Pharmaceutical turnover includes co-promotion income.

PHARMACEUTICAL TURNOVERNine months ended 30th September 2005

	Total		USA		Europe		International	
	£m	CER%	£m	CER%	£m	CER%	£m	CER%
RESPIRATORY	3,647	13	1,847	16	1,224	8	576	14
Seretide/Advair	2,152	21	1,194	26	756	15	202	16
Flixotide/Flovent	464	2	190	3	139	(3)	135	5
Serevent	243	(9)	75	(25)	121	(3)	47	14
Flixonase/Flonase	485	12	372	10	47	(1)	66	47
CENTRAL NERVOUS SYSTEM	2,333	(11)	1,466	(14)	536	(6)	331	--
Seroxat/Paxil	457	(45)	101	(75)	147	(26)	209	(3)
Paxil IR	366	(31)	18	(85)	147	(26)	201	(4)
Paxil CR	91	(69)	83	(71)			8	37
Wellbutrin	522	(10)	511	(10)	1	46	10	(8)
Wellbutrin IR, SR	68	(73)	60	(75)	1	46	7	(27)
Wellbutrin XL	454	38	451	38			3	>100
Imigran/Imitrex	509	2	366	3	106	(2)	37	(1)
Lamictal	621	26	405	37	175	7	41	16
Requip	106	26	51	35	49	18	6	18
ANTI-VIRALS	1,901	9	939	9	579	7	383	9

HIV	1,148	6	563	2	455	9	130	12
Combivir	435	3	209	1	174	3	52	6
Trizivir	226	(8)	122	(10)	93	(5)	11	(3)
Epivir	199	(10)	71	(33)	93	8	35	18
Ziagen	102	(13)	41	(26)	43	(4)	18	9
Retrovir	33	4	13	1	12	(2)	8	23
Agenerase, Lexiva	79	86	50	61	25	>100	4	40
Epzicom/ Kivexa	74	>100	57		15	>100	2	
Herpes	602	13	344	23	105	--	153	3
Valtrex	505	20	339	25	74	9	92	12
Zovirax	97	(12)	5	(37)	31	(17)	61	(7)
Zeffix	103	5	9	12	15	(3)	79	7
ANTI-BACTERIALS	1,114	(4)	187	(30)	534	4	393	3
Augmentin	496	(9)	104	(39)	236	5	156	7
Augmentin IR	410	2	28	(28)	228	3	154	8
Augmentin ES, XR	86	(38)	76	(43)	8	>100	2	(30)
Zinnat/ Ceftin	143	(6)	6	(11)	83	(7)	54	(6)
METABOLIC	1,108	20	750	20	134	34	224	11
Avandia	865	28	655	33	82	21	128	10
Avandamet	129	(13)	88	(32)	29	>100	12	9
Boniva	7		7					
VACCINES	969	14	243	31	423	14	303	3
Hep-	331	11	102	4	170	16	59	11

atitis								
Infanrix/Pediarix	310	20	108	22	148	28	54	(1)
ONCOLOGY AND EMESIS	745	6	554	9	125	(4)	66	2
Zofran	608	7	460	10	94	(5)	54	4
Hycamtin	74	(1)	49		21	(3)	4	(13)
CARDIOVASCULAR AND UROGENITAL	965	48	549	36	310	83	106	36
Coreg	414	33	410	34			4	(29)
Levitra	30	(16)	26	79	3	(77)	1	(92)
Avodart	90	>100	44	94	40	>100	6	>100
Arixtra	16	>100	9	>100	6	>100	1	>100
Fraxiparine	156	>100			133	>100	23	>100
Vesicare	8		8					
OTHER	771	4	50	(24)	236	8	485	6
Zantac	180	(12)	41	(24)	47	(17)	92	(3)
	13,553	7	6,585	6	4,101	9	2,867	7

Pharmaceutical turnover includes co-promotion income.

CONSUMER HEALTHCARE TURNOVERThree months ended 30th September 2005

	Q3 2005£m	GrowthCER%
Over-the-counter medicines	347	(1)
Analgesics	94	10
Dermatological	34	(23)
Gastrointestinal	64	3
Respiratory tract	36	(5)
Smoking control	81	4
Natural wellness support	31	(7)

Oral care	247	4
Nutritional healthcare	168	12
Total	762	3

CONSUMER HEALTHCARE TURNOVERNine months ended 30th September 2005

	9 months 2005£m	GrowthCER%
Over-the-counter medicines	1,037	2
Analgesics	268	6
Dermatological	120	(12)
Gastrointestinal	182	2
Respiratory tract	102	6
Smoking control	242	9
Natural wellness support	97	(3)
Oral care	698	2
Nutritional healthcare	465	6
Total	2,200	3

11

Return to Contents

FINANCIAL REVIEW - INCOME STATEMENT

Operating profit

	Q3 2005 £m	Q3 2005 % of-turnover	Q3 2004 £m	Q3 2004 % of-turnover	CER %	Growth £%
Turnover	5,471	100.0	4,924	100.0	9	11
Cost of sales	(1,184)	(21.6)	(1,105)	(22.4)	6	7
Selling, general and administration	(1,884)	(34.4)	(1,648)	(33.5)	13	14
Re-	(80)	(14)	(69)	(14)	15	15

search and development	3	.7	6	.1		
Other operating income	183	3.3	22	0.4		
Operating profit	1,783	32.6	1,497	30.4	14	19

Overall the operating margin increased 2.2 percentage points as sterling operating profit increased 19% on a sterling turnover growth of 11%. At constant exchange rates, operating profit increased 14% and the margin increased 1.5 percentage points, reflecting higher operating income and only a 6% increase in cost of sales partly offset by a 13% increase in selling, general and administration (SG&A), and a 15% increase in R&D expense.Cost of sales decreased as a percentage of turnover by 0.8 percentage points. At constant exchange rates the decrease was 0.6 percentage points, principally reflecting operational efficiencies partly offset by higher costs related to the rectification of manufacturing issues at the Cidra site in Puerto Rico.SG&A as a percentage of turnover increased 0.9 percentage points. At constant exchange rates the increase was 1.3 percentage points, reflecting increased provisions related to legal matters, and charges related to cost saving programmes. Excluding these items, SG&A grew 8%, broadly in line with turnover growth. As reported at Q1 2005, all legal costs are now accounted for within SG&A; see Accounting Presentation and Policies on page 21 for further details.

R&D expenditure as a percentage of turnover increased 0.6 percentage points, largely reflecting the phasing of clinical trial expenditure and some write-offs of intangible assets. Pharmaceuticals R&D expenditure represented 16.5% of pharmaceutical turnover.

Other operating income includes royalty income, equity investment disposals and impairments, product disposals and fair value adjustments to the Quest collar and Theravance options. Other operating income was £183 million in Q3 2005 compared with £22 million in Q3 2004. The increased income in Q3 2005 is predominantly due to increased product and asset disposal gains compared with Q3 2004, and a favourable fair value movement of £37 million in the Quest collar and Theravance options.

TaxationThe charge for taxation on profit, amounting to £500 million, represents an effective tax rate of 28.5%, which is the expected rate for the year.Transfer pricing issues are described in the 'Taxation' note to the Financial Statements included in the Annual Report 2004. Developments since the date of that report are as follows.With respect to the claims of the Internal Revenue Service (IRS) for the years 1997-2000, which are described in the note, the Group contested these claims for additional taxes of $1.9 billion by filing a petition in the US Tax Court on 12th April to which the IRS filed its statutory Answer on 7th June. In September the Court agreed to consolidate the IRS claims for 1997-2000 with those for 1989-1996 into a single trial, scheduled for hearing commencing in October 2006. The total claims for these periods amount to $4.6 billion of additional taxes and related interest of $3.6 billion, net of federal tax relief, giving a total of $8.2 billion. The Groups petitions against the IRS claims include counter-claims for repayment of taxes totalling $1.8 billion, based partly by reference to an Advance Pricing Agreement (APA) between SmithKline Beecham and the IRS covering the transfer pricing of Tagamet between 1991 and 1993. On 23rd December 2004 the IRS filed a motion for summary judgement to exclude any evidence relating to APAs from the court proceedings. On 31st March 2005 the trial judge denied the IRS motion and reserved ruling on the admissibility of APA evidence until full trial.GSK continues to believe that the profits reported by its US subsidiaries for the period 1989 to date, on which it has paid taxes in the USA, are more than sufficient to reflect the activities of its US operations.GSK is in continuing discussions with the Inland Revenue in respect of UK transfer pricing disputes.GSK uses the best advice in determining its transfer pricing methodology and in seeking to manage transfer pricing issues to a satisfactory conclusion and, on the basis of external professional advice, continues to believe that it has made adequate provision for the liabilities likely to arise from open assessments. However, there continues to be a wide difference of views between the Group, the IRS, the Inland Revenue and other relevant taxation authorities where open issues exist. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of litigation proceedings and negotiations with the relevant tax authorities.

Weighted average number of shares

	Q3 2005millions	Q3 2004millions
Weighted average number of shares - basic	5,668	5,724
Dilutive effect of share options and share awards	44	10
Weighted average number of shares - diluted	5,712	5,734

	9 months2005millions	9 months2004millions	2004millions
Weighted average number of shares - basic	5,680	5,745	5,736
Dilutive effect of share options and share awards	42	12	12
Weighted average number of shares - diluted	5,722	5,757	5,748

The number of shares in issue, excluding those held by the ESOP Trusts and those held as Treasury shares at 30th September 2005, was 5,658 million (30th September 2004: 5,712 million).

13

Dividends

	Paid/payable	Pence per-share	£m
2005			
First interim	7th July 2005	10	570
Second interim	6th October 2005	10	567
Third interim	5th January 2006	10	566
2004			
First interim	1st July 2004	10	575
Second interim	30th September 2004	10	573
Third interim	6th January 2005	10	571
Fourth interim	7th April 2005	12	683
		42	2,402

Guidance issued by the Institute of Chartered Accountants in England and Wales has clarified when an interim dividend should be recognised for accounting purposes where the accounts are prepared under IFRS. Interim dividends are now only recognised in the accounts when paid, and not when declared. GSK normally pays a dividend two quarters after the quarter to which it relates and one quarter after it is declared. An adjustment is required, therefore, to recognise a further quarters time lag in the recording of dividends. This change has been effected in the transition balance sheet at 1st January 2003 and subsequent balance sheets.

STATEMENT OF RECOGNISED INCOME AND EXPENSE

	9 months2005£m	9 months2004£m	2004£m
Exchange movements on overseas net assets	113	(93)	(30)
Deferred tax on exchange movements	56	(35)	(73)
Fair value movements on available-for-sale investments	(8)		
Deferred tax on fair value movements	(7)		
Revaluation of goodwill due to exchange	7	10	6
Actuarial (losses)/gains on defined benefit plans	(462)	(348)	108
Deferred tax on actuarial (losses)/gains on defined benefit plans	156	131	(17)
Net losses recognised directly in equity	(145)	(335)	(6)
Profit for the period	3,665	3,221	4,022
Total recognised income and expense for the period	3,520	2,886	4,016
Attributable to:			
Shareholders	3,422	2,799	3,902
Minority interests	98	87	114
	3,520	2,886	4,016

14

Return to Contents

BALANCE SHEET

	30th September2005£m	30th September2004£m	31st December2004£m
ASSETS			
Non-current assets			
Property, plant and equipment	6,332	6,194	6,197
Goodwill	195	157	165

Other intangible assets	2,641		2,491		2,513	
Investments in associates and joint ventures		256		237		209
Other investments		350		302		298
Deferred tax assets	2,140		2,105		2,032	
Other non-current assets		529		536		611
Total non-current assets	12,443		12,022		12,025	
Current assets						
Inventories	2,200		2,264		2,193	
Trade and other receivables	4,854		4,391		4,451	
Liquid investments		336	1,493		1,512	
Cash and cash equivalents	6,093		2,244		2,467	
Assets held for sale		3				2
Total current assets	13,486		10,392		10,625	
TOTAL ASSETS	25,929		22,414		22,650	
LIABILITIES						
Current liabilities						
Short-term borrowings	(1,616)		(1,157)		(1,582)	
Trade and other payables	(4,579)		(4,173)		(4,267)	
Current tax payable	(1,822)		(1,682)		(1,598)	
Short-term provisions	(1,005)		(1,025)		(962)	
Total current liabilities	(9,022)		(8,037)		(8,409)	
Non-current liabilities						
Long-term borrowings	(5,212)		(4,971)		(4,381)	
Deferred tax provision	(233)		(152)		(377)	
Pensions and other post-employment benefits	(3,164)		(3,325)		(2,519)	
Other provisions	(572)		(452)		(569)	
Other non-current liabilities	(334)		(267)		(244)	
Total non-current liabilities	(9,515)		(9,167)		(8,090)	
TOTAL LIABILITIES	(18,537)		(17,204)		(16,499)	
NET ASSETS	7,392		5,210		6,151	
EQUITY						
Share capital	1,487		1,484		1,484	

Share premium account	382	288	304
Other reserves	(410)	(702)	(606)
Retained earnings	5,641	3,887	4,697
Shareholders equity	7,100	4,957	5,879
Minority interests	292	253	272
TOTAL EQUITY	7,392	5,210	6,151

15

RECONCILIATION OF MOVEMENTS IN EQUITY

	9 months2005£m	9 months2004£m	2004£m
Total equity at beginning of period, adjusted for changes in the timing of recognition of dividends (see Dividends on page 14)	6,151	5,816	5,816
Implementation of accounting for financial instruments under IAS 39	(12)		
Total equity at beginning of period, as adjusted	6,139	5,816	5,816
Total recognised income and expense attributable to shareholders	3,422	2,799	3,902
Dividends to shareholders	(1,823)	(2,476)	(2,476)
Ordinary shares issued	81	25	42
Ordinary shares purchased and cancelled	--	(201)	(201)
Ordinary shares purchased and held as Treasury shares	(638)	(549)	(799)
Ordinary shares issued by ESOP Trusts	23	16	23
Share-based payments	183	267	312
Changes in minority in-	(11)		

terest share-holdings			
Minority in-terests	16	(487)	(468)
Total equity at end of period	7,392	5,210	6,151

FINANCIAL REVIEW - BALANCE SHEETNet assets The book value of net assets increased by £1,241 million from £6,151 million at 31st December 2004 to £7,392 million at 30th September 2005. This was principally attributable to a reduction in net debt, partly offset by an increase in pension and other post-employment liabilities in the period arising from updated mortality assumptions and weakening long-term interest rates. The carrying value of investments in associates and joint ventures at 30th September 2005 was £256 million with a market value of £1,071 million. On 13th July 2005, GSK acquired all of the share capital of Corixa Corporation, a biotechnology company based in the USA specialising in developing vaccine adjustments and immunology based products. The cost of £150 million, including acquisition costs, was represented by net assets of £124 million, including intangible assets of £115 million, and goodwill of £26 million. Equity At 30th September 2005 total equity had increased from £6,151 million at 31st December 2004 to £7,392 million. The increase arises from retained earnings partially offset by purchases of Treasury shares and further actuarial losses on defined benefit pension plans in the period. At 30th September 2005 the ESOP Trusts held 171.1 million GSK ordinary shares at a book value of £2,419 million against the future exercise of share options and share awards, which has been deducted from other reserves. The market value of these shares was £2,467 million. At 30th September 2005 GSK also held 118.1 million shares as Treasury shares, at a cost of £1,437 million, which has been deducted from retained earnings.

16

Return to Contents

CASH FLOW STATEMENTThree months ended 30th September 2005

	Q3 2005£m	Q3 2004£m
Operating profit	1,783	1,497
Depreciation and other non-cash items	253	319
Decrease/ (increase) in working capital	9	(14)
Increase in other net liabilities	280	204
	2,325	2,006
Taxation paid	(469)	(391)
Net cash inflow from operating activities	1,856	1,615
Cash flow from investing activities		
Purchase of property, plant and equipment	(237)	(195)
Proceeds from sale of property, plant and equipment	36	24
Purchase of intangible assets	(33)	(96)
Proceeds from sale of intangible assets	54	
Purchase of equity investments	(10)	(6)

Proceeds from sale of equity investments		11		18
Purchase of businesses, net of cash acquired	(143)		(306)	
Interest received		71		46
Dividends from associates and joint ventures		5		4
Net cash outflow from investing activities	(246)		(511)	
Cash flow from financing activities				
Decrease/(increase) in liquid investments		2	(37)	
Proceeds from own shares for employee share options		4		4
Issue of share capital		33		9
Purchase of Treasury shares	(235)		(247)	
Repayment of long-term loans	(69)		(7)	
Net (repayment of)/increase in short-term loans	(8)			59
Net repayment of obligations under finance leases	(7)			
Interest paid	(117)		(100)	
Dividends paid to shareholders	(568)		(1,092)	
Dividends paid to minority interests	(5)		(4)	
Other financing cash flows		109		55
Net cash outflow from financing activities	(861)		(1,360)	
Increase in cash and bank overdrafts in the period		749	(256)	
Exchange adjustments		66		3
Cash and bank overdrafts at beginning of period	5,050		2,298	
Cash and bank overdrafts at end of period	5,865		2,045	
Cash and bank overdrafts at end of period comprise:				
Cash and cash equivalents	6,093		2,244	
Overdrafts	(228)		(199)	
	5,865		2,045	

17

Return to Contents

CASH FLOW STATEMENTNine months ended 30th September 2005

	9 months2005£m	9 months2004£m	2004£m
Operating profit	5,241	4,515	5,756
Depreciation and other non-cash items	669	938	1,227
Increase in working capital	(68)	(98)	(158)
Increase/ (decrease) in other net liabilities	103	(234)	(298)
	5,945	5,121	6,527
Taxation paid	(1,272)	(1,116)	(1,583)
Net cash inflow from operating activities	4,673	4,005	4,944
Cash flow from investing activities			
Purchase of property, plant and equipment	(555)	(505)	(788)
Proceeds from sale of property, plant and equipment	63	38	53
Purchase of intangible assets	(185)	(169)	(255)
Proceeds from sale of intangible assets	224		--
Purchase of equity investments	(18)	(77)	(103)
Proceeds from sale of equity investments	22	55	58
Share transactions with minority shareholders	(32)		
Purchase of businesses, net of cash acquired	(143)	(306)	(297)
Disposals of businesses and interests in associates	--	56	230
Investment in	(2)	(2)	(2)

associates and joint ventures			
Interest received	200	140	173
Dividends from associates and joint ventures	8	8	11
Net cash outflow from investing activities	(418)	(762)	(920)
Cash flow from financing activities			
Decrease/(increase) in liquid investments	1,234	(34)	(53)
Proceeds from own shares for employee share options	23	16	23
Issue of share capital	81	25	42
Share capital purchased for cancellation	--	(201)	(201)
Purchase of Treasury shares	(625)	(532)	(799)
Redemption of preference shares issued by subsidiary	--	(489)	(489)
Increase in long-term loans	982	1,365	1,365
Repayment of long-term loans	(124)	(11)	(15)
Net repayment of short-term loans	(314)	(426)	(407)
Net repayment of obligations under finance leases	(25)	--	(22)
Interest paid	(321)	(271)	(350)
Dividends paid to shareholders	(1,823)	(2,419)	(2,475)
Dividends paid to minority interests	(78)	(66)	(75)
Other financing cash flows	32	30	49
Net cash outflow from financing activities	(958)	(3,013)	(3,407)
Increase in	3,297	230	617

cash and bank overdrafts in the period			
Exchange adjustments	213	(16)	(93)
Cash and bank overdrafts at beginning of period	2,355	1,831	1,831
Cash and bank overdrafts at end of period	5,865	2,045	2,355
Cash and bank overdrafts at end of period comprise:			
Cash and cash equivalents	6,093	2,244	2,467
Overdrafts	(228)	(199)	(112)
	5,865	2,045	2,355

18

RECONCILIATION OF CASH FLOW TO MOVEMENTS IN NET DEBT

	9 months2005£m	9 months2004£m	2004£m
Net debt at beginning of the period	(1,984)	(1,648)	(1,648)
Increase in cash and bank overdrafts in the period	3,297	230	617
Cash (inflow)/outflow from liquid investments	(1,234)	34	53
Net increase in long-term loans	(858)	(1,354)	(1,350)
Net repayment of short-term loans	314	426	407
Net repayment of obligations under finance leases	25		22
Net non-cash funds of subsidiary undertakings acquired	(23)		
Exchange adjustments	83	19	24
Other non-cash movements	(19)	(98)	(109)
Movement in net debt	1,585	(743)	(336)
Net debt at end of the period	(399)	(2,391)	(1,984)

FINANCIAL REVIEW - CASH FLOWOperating cash flow was £2,325 million in Q3 2005. This represents an increase of £319 million over Q3 2004 principally due to higher operating profits. The operating cash flow is in excess of the funds needed for the routine cash flows of tax, capital expenditure on property, plant and equipment and dividend payments, together amounting to £1,274 million. Receipts of £37 million arose from the exercise of share options: £4 million from shares held by the ESOP Trusts and £33 million from the issue of new shares. In addition, £235 million was spent in the quarter on purchasing the company's shares to be held as Treasury shares.

EXCHANGE RATESThe results and net assets of the Group, as reported in sterling, are affected by movements in exchange rates between sterling and overseas currencies. GSK uses the average of exchange rates prevailing during the period to translate the results and cash flows of overseas Group subsidiary and associated undertakings into sterling and period end rates to translate the net assets of those undertakings. The currencies which most influence these translations, and the relevant exchange rates, are:

	9 months2005	9 months2004	2004
Average rates:			
£/US$	1.85	1.82	1.83
£/Euro	1.46	1.48	1.47
£/Yen	199.00	197.00	197.00
Period-end rates:			
£/US$	1.77	1.81	1.92
£/Euro	1.47	1.46	1.41
£/Yen	201.00	199.00	197.00

During the period to 30th September 2005 average sterling exchange rates were stronger against the US dollar and the Yen and weaker against the Euro compared with the same period in 2004. Comparing Q3 2005 period-end rates with Q3 2004 period-end rates, sterling was weaker against the US dollar and stronger against the Euro and the Yen.

LEGAL MATTERSThe Group is involved in various legal and administrative proceedings, principally product liability, intellectual property, tax, anti-trust, and governmental investigations and related private litigation. The Group makes provision for those proceedings on a regular basis and may make additional significant provisions for such legal proceedings, as required in the event of further developments in those matters, consistent with generally accepted accounting principles. Litigation, particularly in the USA, is inherently unpredictable and excessive awards that may not be justified by the evidence can occur. The Group could in the future incur judgments or enter into settlements of claims that could result in payments that exceed its current provisions by an amount that would have a material adverse effect on the Groups financial condition and results of operations. Intellectual property claims include challenges to the validity of the patents on various of the Groups products or processes, and assertions of non-infringement of those patents. A loss in any of these cases could result in loss of patent protection for the product at issue. The consequence of any such loss could be a significant decrease in sales of that product and could materially affect future results of operations for the Group. At 30th September 2005 the Groups aggregate provision for legal and other disputes (not including tax matters described under Taxation on page 13) was just over £1.1 billion. The ultimate liability for legal claims may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations. Developments since the date of the Annual Report as previously updated by the legal proceedings note to the results announcements for the first and second quarters of 2005 are set out below:

Intellectual propertyWith respect to the appeal by Teva from the US District Court decision finding infringement and affirming the validity of the Groups method of use patents for ondansetron (the active ingredient in Zofran), the later of which expires in December 2006, the parties have reached a settlement agreement, the terms of which are confidential. Separately, Kali Laboratories has filed a notice of appeal with the US Court of Appeals for the Federal Circuit from the grant of the Groups summary judgement motions by the trial judge which affirmed the validity of those same patents and finding that Kalis proposed generic product would infringe.With respect to Biovails claims for infringement of its formulation patents for Wellbutrin XL , Biovail has advised that a trial date for its action against Anchen Pharmaceuticals has been set for 12th September 2006 in the US District Court for the Central District of California and that the hearing on the Abrika Pharmaceuticals motion for summary judgement of non-infringement will be held on 2nd November 2005 in the US District Court for the Southern District of Florida. The Group is not a party to either of those proceedings. To the knowledge of the Group and

Biovail, the FDA has not approved a generic version of Wellbutrin XL.Government investigationsWith respect to the average wholesale price (AWP) investigation, in September the Group reached a civil settlement with the US Department of Justice, the US Attorney for the District of Massachusetts and the Office of the Inspector General of the US Department of Health and Human Services. The Group agreed to pay the government a civil settlement of $149 million together with $1.8 million interest for the period during which details of the settlement were resolved. As part of the settlement the corporate integrity agreement to which the Group is a party has been amended to address issues raised in the course of the government investigation.In the related private litigation against the Group and other pharmaceutical companies, in August the judge in the multi-district litigation proceeding in the US District Court for the District of Massachusetts granted in part and denied in part plaintiffs motion for class certification, thereby narrowing the scope of the class claims. Fact discovery in that proceeding closed as to the Group at the end of August.With respect to the Groups manufacturing facility at Cidra, Puerto Rico, production and distribution of Paxil CR and Avandamet has resumed. In September the Group provided to the FDA its report of corrective plans and timetable for completion following a cGMP inspection of the site by an outside expert. That inspection was conducted pursuant to the terms of the consent decree between the FDA and the Group. The Group is fully committed to working cooperatively with the FDA to address all remaining issues in a timely fashion.In October the Competition Directorate of the European Commission initiated an inspection concerning allegations that the Group has abused a dominant position in the marketplace concerning enforcement of its intellectual property rights, litigation surrounding regulatory approvals and marketing of paroxetine (Seroxat) in Europe. GSK is co-operating fully with the Commission and believes the Groups conduct in these matters has been entirely proper.

Developments with respect to tax matters are described in Taxation on page 13.

20

ACCOUNTING PRESENTATION AND POLICIESWith effect from 1st January 2005, GSK has moved to reporting its financial results in accordance with International Financial Reporting Standards (IFRS) as required by a European Union Regulation issued in 2002. This unaudited Results Announcement for the three months ended 30th September 2005 is prepared in accordance with IAS 34 Interim Financial Reporting and the IFRS accounting policies expected to apply in 2005. These IFRS policies are unchanged from those set out in the Annual Report 2004 on pages 164 to 166, except that GSK now accounts for all legal costs within SG&A. In addition, following a clarification of the timing of recognition of dividends under IFRS, an adjustment is recorded to reflect a further quarters delay in recognition - see Dividends on page 14 for further details. Comparative figures have been amended accordingly.

A number of presentational changes have been made, starting in Q1 2005, to conform with best practice under IFRS:

* Legal costs have been reclassified so that all legal costs are now reported within SG&A. Consequently, trading profit is no longer reported separately
* Except where expressly permitted, IFRS does not allow offsetting of income and expenses. Consequently, finance income and expense are reported separately.

None of these presentational changes has any impact on operating profit or EPS in this quarter or the comparative periods in 2004. All comparative figures are presented on this basis, except that GSK has taken advantage of an exemption which permits financial instruments to be accounted for and presented on a UK GAAP basis in 2004 and only in accordance with IAS 32 and IAS 39 from 1st January 2005. Full details of the major differences from UK GAAP as they apply to GSK are given in the unaudited IFRS financial information section of the Annual Report 2004 on page 163.

The income statement, statement of recognised income and expense and cash flow statement for the year ended, and the balance sheet at, 31st December 2004 have been derived from the unaudited IFRS financial information published in the Annual Report 2004, taking account of the changes noted above.

Data for market share and market growth rates are GSK estimates based on the most recent data from independent external sources, and where appropriate, are valued in sterling at relevant exchange rates. Figures quoted for product market share reflect sales by GSK and licensees.

In order to illustrate underlying performance, it is the Group's practice to discuss its results in terms of constant exchange rate (CER) growth. This represents growth calculated as if the exchange rates used to determine the results of overseas companies in sterling had remained unchanged from those used in the previous year. All commentaries are presented in terms of CER unless otherwise stated.

UK GAAP to IFRS reconciliations

GSK published financial information in accordance with International Financial Reporting Standards for 2003 and 2004 on the London Stock Exchange on 10th February 2005. That document included explanations of the main UK GAAP to IFRS differences and UK GAAP to IFRS reconciliations for:

* total equity at 1st January 2003, 31st December 2003 and each quarter end in 2004
* profit attributable to shareholders for 2003 and each quarter in 2004
* cash flows for 2003 and each quarter in 2004.

The document is available on the companys website.

21

INVESTOR INFORMATIONAnnouncement of Q3 2005 Results This Announcement was approved by the Board of Directors on Thursday 27th October 2005. Financial calendar The company will announce preliminary results for 2005 and fourth quarter 2005 results on 8th February 2006. The fourth interim dividend for 2005 will have an ex-dividend date of 15th February 2006 and a record date of 17th February 2006 and will be paid on 6th April 2006. Internet This Announcement and other information about GSK is available on the company's website at: http://www.gsk.com.

22

Return to Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

GlaxoSmithKline plc

(Registrant)

Date: October 27, 2005

By: |s| Simon Bicknell

SIMON BICKNELL

Authorised Signatory
for and on behalf
ofGlaxoSmithKline plc

ACCESSION NUMBER: 0001021231-05-000669

LANGUAGE: ENGLISH

LOAD-DATE: January 25, 2007

EXHIBIT 2

As filed with the Securities and Exchange Commission on March 3, 2006

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 20-F

☐ Registration statement pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934

OR

☒ Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2005

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-15170

GlaxoSmithKline plc

(Exact name of Registrant as specified in its charter)

England
(Jurisdiction of incorporation or organization)

980 Great West Road, Brentford, Middlesex TW8 9GS England
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
American Depositary Shares, each representing 2 Ordinary Shares, Par value 25 pence	New York Stock Exchange

Securities registered or to be registered to Section 12(g) of the Act:

None
(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

_____

_____

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☒ Yes ☐ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934.

☐ Yes ☒ No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark which financial statement item the registrant has elected to follow.

☐ Item 17 ☒ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

"Discovering important medicines
eradicating diseases, improving
the quality of people's lives
and making medicines available
to a greater number of people
This is what we do – and what we do matters to people."

JP Garnier (left) and Sir Christopher Gent (right)

JP Garnier (left) and Sir Christopher Gent (right)

"Thanks to the efforts of our employees around the world,

2005 was a very successful year for GSK. We

was our best year ever in terms of

we also made substantial progress in the

of innovative medicines and vaccines."

JP Garnier, Chief Executive Officer

An interview with Sir Christopher Gent, Chairman and JP Garnier, Chief Executive Officer

2005: a year of success and progress

GSK delivered an excellent financial performance in 2005. Turnover of £21.7 billion grew by 7% at constant exchange rates (CER). Earnings per share (EPS) were 82.6p, with growth of 18% at CER, putting GSK in the top tier of global pharmaceutical companies in terms of performance.

"These figures confirm the excellent growth of our key products and the efficiency of our global operations," says JP.

GSK's performance was driven by sales of key pharmaceutical products. "Sales of *Seretide/Advair* , *Avandia* , *Coreg* , *Lamictal* and *Valtrex* all continued their impressive growth," says JP. "We also saw good performance from a number of newer products, including *Avodart* for enlarging prostate, *Boniva/Bonviva* for osteoporosis and *Requip* for Restless Legs Syndrome, which all show great promise for the future, both for patients and GSK.'

"Looking into 2006, the strong growth seen from key products and from our vaccines business is expected to continue and we anticipate an EPS growth of around 10% at CER."

Pipeline progress

GSK continues to meet the challenge of increasing Research & Development (R&D) productivity to discover new medicines faster and more economically. The company's pipeline is one of the largest and most promising in the industry, with 149 projects in clinical development (as at the end of February 2006), including 95 new chemical entities (NCEs), 29 product line extensions (PLEs) and 25 vaccines.

"In 2006, we anticipate further good news on GSK's late-stage pipeline, which is developing at a fast pace. Eight major new assets are scheduled to enter phase III in 2006, doubling our late-stage pipeline," says JP.

Year of the vaccine

2005 was a landmark year for GSK's vaccines business. Sales increased by 15% and the company made a number of significant strategic acquisitions. "The acquisition of ID Biomedical was an important move for GSK," says JP, "which strengthened our position in the global flu vaccine market, and increased our ability to prepare for and respond to a potential flu pandemic."

"The pharmaceutical industry is making a positive improvement to people's lives. It has a noble purpose. It develops medicines and vaccines that save lives and make people feel better."
Sir Christopher Gent, Chairman

"We also acquired a plant in Marietta, Pennsylvania which will give us access to tissue culture technology in our vaccine manufacturing. The acquisition of Corixa gives us valuable adjuvant technology, enabling us to boost human immune response to our vaccines."

GSK also made good progress on its pipeline of new vaccines. "We expect five major vaccine launches in the next five years," says JP. "Perhaps most exciting is *Cervarix* for cervical cancer, which we expect to file for approval in Europe in March 2006 and in the USA by the end of the year."

Improving access to medicines

GSK continues to seek new ways of improving access to its medicines for people who need them, but are least able to obtain them. This challenge is particularly acute in the developing world, where GSK has been offering many of its medicines and vaccines at not-for-profit prices for some years.

However, addressing this challenge is something GSK cannot do alone. The work of GSK with organisations such as the Bill & Melinda Gates Foundation highlights the benefits of public-private partnerships. They provide a way for companies such as GSK and the private sector to work together. Typically, GSK provides the R&D, technology, manufacturing and distribution expertise, while other partners and governments help fund the development and delivery costs.

In 2005, GSK entered three groundbreaking public-private partnerships to develop vaccines against the biggest causes of death in the developing world today – AIDS, malaria and tuberculosis.

"Public-private partnerships use the respective strengths of the partners and bring out the best of each. Most importantly, it is a model that works."

In 2005, GSK introduced and strengthened a number of initiatives aimed at improving patients' understanding of GSK's medicines, and programmes to help gain access to them. These initiatives include GSK's pioneering Clinical Trial Register, which was expanded to contain 2,125 summaries of clinical trials by the end of 2005.

In the USA, GSK is placing more emphasis on education and the patient in direct-to-consumer advertising, and providing people with advice on GSK's programmes and the industry's Partnerships for Prescriptions Assistance which help people gain access to the medicines they need.

"Through these and other initiatives, we are seeking to differentiate GSK as a company finding solutions to the healthcare challenges that society faces. I believe we are well on the way to achieving that," says Sir Christopher.

GSK's global community investment activities in 2005 were valued at £380 million, equivalent to 5.6% of Group profit before tax.

The year saw a number of natural disasters, including the Asian tsunami, the Guatemalan hurricane, the New Orleans floods and the earthquake that struck parts of India and Pakistan. GSK was quick to respond to help victims of these tragedies. "My thanks go to our employees for their response to these crises. It makes me proud to lead an organisation with such committed and compassionate people, who can respond so effectively to help people in real need," says JP.

For these disasters alone, GSK contributed more than £3

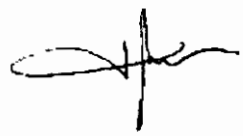
"The tragedies during the year brought home to me the extent to which the pharmaceutical industry is making a positive improvement to people's lives," says Sir Christopher. "It has a noble purpose. It develops medicines and vaccines that save lives and make people feel better."

We continue to meet the challenges of improving productivity in R&D and ensuring patients have access to medicines, even in the poorest parts of the world. This Report highlights some of the work we have done to implement our strategies to meet these challenges. Behind each one is a human story.

We thank all our employees for their efforts in 2005. Their commitment and passion, both individually and through their teamwork, have helped us make GSK the success it is today. We also appreciate the great support our employees receive from their families for the work they are doing at GSK.

We are grateful for the significant contribution of Tachi Yamada, Chairman of R&D and Executive Director, who is to retire in June 2006, and we welcome Moncef Slaoui, who will succeed Tachi with effect from 1st June 2006. We would also like to thank Jack Ziegler, President of GSK Consumer Healthcare, who retired from the company in January 2006, and welcome his successor, John Clarke. We also thank Dr Lucy Shapiro, who is to retire as a Non-Executive Director at the company's Annual General Meeting in May 2006, and we welcome Tom de Swaan, who joined the Board in January 2006 as a new Non-Executive Director.

Sir Christopher Gent
Chairman



JP Garnier
Chief Executive Officer

million in cash and donated medicines and vaccines valued at over £14 million towards the relief efforts.

Contents

The Annual Report was approved by the Board of Directors on 1st March 2006 and published on 3rd March 2006.

GlaxoSmithKline's website, www.gsk.com gives additional information on the Group. Information made available on the website does not constitute part of this Annual Report.

Back to Contents

Financial summary

	2005 £m	2004 £m	Growth CER%	Growth £%
Turnover	**21,660**	19,986	7	8
Operating profit	**6,874**	5,756	16	19
Profit before taxation	**6,732**	5,779	13	16
Profit after taxation for the year	**4,816**	4,022	17	20
Profit attributable to minority interests	**127**	114		
Profit attributable to shareholders	**4,689**	3,908		
Earnings per share	**82.6p**	68.1p	18	21
Diluted earnings per share	**82.0p**	68.0p		
Dividends per share	**44p**	42p		
Net cash inflow from operating activities	**5,958**	4,944		
Net assets	**7,570**	5,937		

History and development of the company

GlaxoSmithKline plc is a public limited company incorporated on 6th December 1999 under English law. Its shares are listed on the London Stock Exchange and the New York Stock Exchange. On 27th December 2000 the company acquired Glaxo Wellcome plc and SmithKline Beecham plc, both English public limited companies, by way of a scheme of arrangement for the merger of the two companies. Both Glaxo Wellcome and SmithKline Beecham were major global healthcare businesses.

GSK plc and its subsidiary and associated undertakings constitute a major global healthcare group engaged in the creation, discovery, development, manufacture and marketing of pharmaceutical and consumer health-related products.

GSK has its corporate head office in London. It also has operational headquarters in Philadelphia and Research Triangle Park, USA, and operations in some 119 countries, with products sold in over 130 countries. The principal research and development (R&D) facilities are in the UK, the USA, Japan, Italy, Spain and Belgium. Products are currently manufactured in some 37 countries.

The major markets for the Group's products are the USA, France, Japan, the UK, Italy, Germany and Spain.

Business segments

GSK operates principally in two industry segments:

- Pharmaceuticals (prescription pharmaceuticals and vaccines)
- Consumer Healthcare (over-the-counter medicines, oral care and nutritional healthcare).

The Group, as a multinational business, operates in many countries and earns revenues and incurs costs in many currencies. The results of the Group, as reported in sterling, are therefore affected by movements in exchange rates between sterling and overseas currencies. Average exchange rates prevailing during the period are used to translate the results and cash flows of overseas subsidiary and associated undertakings and joint ventures into sterling. Period end rates are used to translate the net assets of those undertakings. The currencies which most influence these translations are the US dollar, the Euro and the Japanese Yen.

In order to illustrate underlying performance, it is the Group's practice to discuss its results in terms of constant exchange rate (CER) growth. This represents growth calculated as if the exchange rates used to determine the results of overseas companies in sterling had remained unchanged from those used in the previous year. CER% represents growth at constant exchange rates. £% represents growth at actual exchange rates.

Cautionary statement regarding forward-looking statements

The Group's reports filed with or furnished to the US Securities and Exchange Commission (SEC), including this document and written information released, or oral statements made, to the public in the future by or on behalf of the Group, may contain forward-looking statements. Forward-looking statements give the Group's current expectations or forecasts of future events. An investor can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as 'anticipate', 'estimate', 'expect', 'intend', 'will', 'project', 'plan', 'believe' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective products or product approvals, future performance or results of current and anticipated products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, and financial results. The Group undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements involve inherent risks and uncertainties. The Group cautions investors that a number of important factors, including those in this document, could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to, those discussed under 'Risk factors' on pages 71 to 74 of this Annual Report.

Description of business

Mission

Our global quest is to improve the quality of human life by enabling people to do more, feel better and live longer.

Our Spirit

We undertake our quest with the enthusiasm of entrepreneurs, excited by the constant search for innovation. We value performance achieved with integrity. We will attain success as a world class global leader with each and every one of our people contributing with passion and an unmatched sense of urgency.

Annual Report and Review

This report is the Annual Report of GlaxoSmithKline plc for the year ended 31st December 2005, prepared in accordance with United Kingdom requirements.

A summary report on the year, the Annual Review 2005, intended for the investor not needing the full detail of the Annual Report, is produced as a separate document.

The Annual Review includes the joint statement by the Chairman and the Chief Executive Officer, a summary review of operations, summary financial statements and a summary remuneration report.

The Annual Review is issued to all shareholders. The Annual Report is issued to shareholders who have elected to receive it. Both documents are available on GlaxoSmithKline's corporate website at www.gsk.com.

The Description of business discusses the strategy, activities, resources and operating environment of the business and identifies developments and achievements in 2005, under the following headings:

Strategy

Products and competition

Risk factors and regulation

Discussion of the Group's management structures and corporate governance procedures is set out in Corporate governance (pages 27 to 36).

The Remuneration Report gives details of the Group's policies on Directors' remuneration and the amounts earned by Directors and senior management in 2005 (pages 37 to 54).

Discussion of the Group's operating and financial performance and financial resources is given in the Operating and financial review and prospects (pages 55 to 80).

In this report:

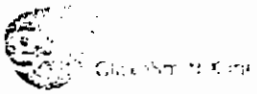
'GlaxoSmithKline', the 'Group' or 'GSK' means GlaxoSmithKline plc and its subsidiary undertakings.
The 'company' means GlaxoSmithKline plc.
'GlaxoSmithKline share' means an Ordinary Share of GlaxoSmithKline plc of 25p.
American Depositary Share (ADS) represents two GlaxoSmithKline shares.

Throughout this report, figures quoted for market size, market share and market growth rates relate to the 12 months ended 30th September 2005 (or later where available). These are GSK's estimates based on the most recent data from

independent external sources, valued in sterling at relevant exchange rates. Figures quoted for product market share reflect sales by GSK and licensees.

Brand names appearing in italics throughout this report are trademarks either owned by and/or licensed to GlaxoSmithKline or associated companies, with the exception of *Baycol* and *Levitra* , trademarks of Bayer, *Boniva/Bonviva* , a trademark of Roche, *Entereg* , a trademark of Adolor Corporation in the USA, *Hepsera* , a trademark of Gilead Sciences in some countries including the USA, *Integrilin* , a trademark of Millennium Pharmaceuticals, *Micropump* , a trademark of Flamel Technologies, *Natrecor* , a trademark of Scios and Janssen, *Navelbine* , a trademark of Pierre Fabre Médicament, *Nicoderm* , a trademark of Sanofi-Aventis, Elan, Novartis or GlaxoSmithKline in certain countries, *Pritor* , a trademark of Boehringer Ingelheim and *Vesicare* , a trademark of Yamanouchi Pharmaceuticals, and in Japan and South Korea a trademark of Astellas Pharmaceuticals, all of which are used in certain countries under license by the Group.

EXHIBIT 3



GLAXOSMITHKLINE PLC (GSK)

980 GREAT WEST ROAD
BRENTFORD MIDDLESEX, X0 TW8 9GS
011442080475
http://www.gsk.com

6-K

Filed on 10/26/2006 - Period: 10/26/2006
File Number 001-15170

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

FORM 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of the Securities Exchange Act of 1934

For the period ending 26th October 2006

GlaxoSmithKline plc

(Name of registrant)
980 Great West Road,
Brentford,
Middlesex, TW8 9GS
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F

Form 20-F ☒ Form 40-F ☐

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ☐ No ☒

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-104121) OF GLAXOSMITHKLINE PLC, GLAXOSMITHKLINE CAPITAL INC AND GLAXOSMITHKLINE CAPITAL PLC AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

Issued: 26th October 2006, London

Results announcement for the third quarter 2006

Strong GSK performance continues: Q3 EPS 24.7p up 21% CER (16% reported)

Earnings guidance raised; Dividend increased; New share buy-back programme

GlaxoSmithKline plc (GSK) today announces its results for the third quarter ended 30th September 2006. The full results are presented under 'Income Statement' on pages 8 and 9, and are summarised below.

FINANCIAL RESULTS*

	Q3 2006 £m	Q3 2005 £m	Growth CER%	£%	9 months 2006 £m	9 months 2005 £m	Growth CER%	£%
Turnover	**5,642**	5,471	7	3	**17,266**	15,753	**9**	10
Operating profit	**2,023**	1,783	**19**	13	**6,108**	5,241	**16**	17
Profit before tax	**2,022**	1,753	**21**	15	**6,089**	5,126	**18**	19
Earnings per share	**24.7p**	21.3p	**21**	16	**74.5p**	62.8p	**18**	19

Q3 2006 SUMMARY*

- **Pharmaceutical sales up 7% to £4.9 billion, led by US performance (up 14%):**
  - *Seretide/Advair* +14% to £813 million
  - *Avandia* family +11% to £378 million
  - Vaccines+5% to £412 million
  - *Lamictal* +27% to £257 million
  - *Valtrex* +26% to £215 million
  - *Careg* +32% to £195 million
- **Consumer Healthcare sales up 4% to £766 million:**
  - Proposed acquisition of CNS Inc. to deliver two new high-growth consumer brands – Breathe Right strips and FiberChoice
- **Approvals and filing updates for several major new products:**
  - *Coreg CR & FluLaval* – Two significant new product opportunities recently approved by the FDA
  - *Tykerb* – New oral treatment for breast cancer now filed for approval in the USA and Europe
  - *Cervarix* – Required number of phase III events achieved; US filing now expected by April 2007
- **2006 Earnings guidance raised to mid-teens EPS percentage growth (in CER terms)**
- **Q3 dividend of 12p (2005: 10p). Expected full year dividend increased to 48p (2005: 44p)**
- **New share buy-back programme of £2 billion per year; £6 billion expected over next 3 years**

Commenting on the performance in the quarter and GSK's outlook, JP Garnier, Chief Executive Officer, said: "GSK's strong performance this year continues, with EPS growth of 21% in CER terms this quarter. This has enabled us to raise our earnings guidance and increase our expected dividend for the year. We have also announced today our intention to start a new £6 billion share buy-back programme – doubling our current annual repurchases to £2 billion. In terms of the pipeline, we recently completed filings for *Tykerb*, our new breast cancer treatment, and reached the required number of phase III events to enable us to file *Cervarix* in the USA, now expected by April 2007. We also received FDA approvals for two significant future products – *Coreg CR* and *FluLaval*."

* The Group's practice is to discuss its results in terms of constant exchange rate (CER) growth. All commentaries compare 2006 results with 2005 in CER terms unless otherwise stated. See 'Accounting Presentation and Policies' on page 23.

Total pharmaceutical sales up 7% to £4.9 billion

In the **United States**, sales were £2.6 billion up 14%, with a 2 percentage point benefit from the reversal of a provision following resolution of a rebate dispute. Sales in **Europe** were level at £1.3 billion, reflecting the impact of generic competition to *Lamictal*, *Imigran* and *Zofran*, which started earlier this year. In contrast, European sales of key products *Seretide* (+12%) and the *Avandia* family (+39%) continue to perform strongly. In **International** markets, sales grew 3% to nearly £1 billion.

***Seretide/Advair* sales up 14% to £813 million; US *Advair* HFA inhaler launched in October**

Total sales of ***Seretide/Advair***, for asthma and COPD, rose 14% to £813 million, with sustained growth seen across all regions. US sales were up 17% to £464 million, with some benefit from wholesaler stocking patterns; European sales grew 12% to £271 million.

In October, GSK launched *Advair* HFA metered dose inhaler in the USA, and submitted a file to the FDA to include the positive results of TORCH, a COPD mortality study, in *Advair's* product label. The TORCH data were presented, in detail, for the first time, to US COPD specialists at the recent meeting of the American College of Chest Physicians. The data were filed with European regulators in September.

***Avandia* family sales up 11%; DREAM study shows reduced risk of progression to type 2 diabetes**

The ***Avandia*** family of products, for the treatment of type 2 diabetes, continues to perform well with sales up 11% to £378 million in the quarter. Reported US sales growth of 6% was adversely impacted by wholesaler stocking patterns following the re-supply of *Avandia* and ***Avandamet*** during the second quarter of this year.

In September, results of the landmark DREAM study were presented to the European Association for the Study of Diabetes. These data demonstrated that *Avandia* reduced the risk of developing type 2 diabetes by 62% relative to placebo, among people at high risk of developing type 2 diabetes. This highly statistically significant reduction of 62% ($p<0.0001$) was additive to standard counselling on healthy eating and exercise, and is the first evidence that *Avandia* can reduce the risk of progression from pre-diabetes to type 2 diabetes in high-risk patients.

Vaccines sales over £400 million; FDA approves new influenza vaccine, *FluLaval*

Total vaccines sales increased 5% to £412 million, with US sales up 8% to £130 million. Overall sales growth was impacted by delays in shipments, including seasonal influenza vaccines, which were late due to difficulties in growing one of the strains recommended by the World Health Organisation.

On 5th October, GSK gained FDA approval for an additional influenza vaccine, ***FluLaval***. The company now expects to bring more than 25 million doses of flu vaccine to the US market this flu season.

The FDA approval, which follows GSK's acquisition of ID Biomedical Corporation last year, relates to both the vaccine and its manufacturing site. As a result, this approval will significantly increase GSK's potential manufacturing capacity for both seasonal and pandemic influenza vaccines.

***Lamictal*, *Valtrex*, and *Coreg*– sales of £667 million, with recent FDA approvals**

Lamictal for epilepsy and bipolar disorder grew 27% to £257 million. In the USA, a strong sales performance (+43% to £201 million) was accompanied by FDA approval, in September, for a new indication to treat one of the most serious forms of epilepsy – primary generalised tonic-clonic seizures. Third quarter sales of ***Valtrex*** for herpes rose 26% to £215 million.

Sales of ***Coreg***, for heart disease, grew 32% to £195 million. Last week, GSK received FDA approval for ***Coreg CR***, a new once-daily longer acting formulation, for the treatment of three cardiovascular conditions: hypertension, post-myocardial infarction left ventricular dysfunction and mild to severe heart failure. The new once-daily regimen represents a significant new opportunity by helping simplify treatment for those patients taking multiple medications for heart conditions, in particular hypertension. The company intends to launch *Coreg CR* in the first quarter of 2007.

***Requip*, *Avodart*, *Boniva*: total sales of £154 million grew over 90%**

Sales of ***Requip***, for Parkinson's disease/Restless Legs Syndrome (RLS), grew significantly in the quarter up 71% to £70 million. This month, GSK filed a submission with the FDA for approval of ***Requip CR***, to treat RLS.

Sales of ***Avodart*** for benign prostatic hyperplasia (enlarged prostate) grew 61% to £57 million. Sales of ***Boniva/Bonviva***, the only once-monthly medicine for osteoporosis, jointly promoted by GSK and Roche were £60 million this quarter. GSK's share of the co-promotion income recorded in turnover for the quarter was £27 million.

Other products:

Sales of GSK's HIV products were £363 million, down 6% due to competition to older products. ***Combivir*** (-12% to £125 million) and ***Epivir*** (-25% to £46 million). Conversely, sales of newer products grew strongly with ***Epzicom/Kivexa*** up 88% to £63 million and ***Lexiva*** up 7% to £31 million.

Sales of ***Wellbutrin XL*** increased 28% to £208 million in the quarter, whilst ***Flonase*** sales fell 59% to £64 million reflecting further generic competition in the USA.

PIPELINE UPDATE

"*Avandia* in Focus"

On 4th December, GSK intends to hold a webcast meeting ("*Avandia* in Focus") for analysts and investors to review prospects for the global diabetes market, and new opportunities for *Avandia*.

The meeting will include a review of results from the ADOPT clinical trial, which is to be presented to the International Diabetes Federation at their meeting in South Africa on the same day. ADOPT – A Diabetes Outcome and Progression Trial – was conducted over a 4-year period in over 4,000 patients, and was designed to assess use of *Avandia*, as first line monotherapy compared to metformin and glibenclamide, for long-term control of type-2 diabetes.

Approvals/Filings:

***Tykerb* filed in USA and Europe**

GSK completed submissions of ***Tykerb***, its new oral treatment for breast cancer, to the US and European regulatory authorities in September and October, respectively. The submissions were based on data, which demonstrated that *Tykerb*, in combination with Xeloda, significantly improved the time to disease progression for patients with (ErbB2+) advanced breast cancer whose disease had progressed on Herceptin

***Cervarix* – US filing expected by April 2007**

GSK has now obtained the required number of events to trigger interim analysis of its phase III study required for regulatory submission. The company intends to file ***Cervarix*** for US approval by April 2007.

***Arixtra* accepted for FDA priority review**

The FDA has granted GSK's anticoagulant product, ***Arixtra***, priority review following the company's submission for approval to treat acute coronary syndromes (ACS) in July. The application was based on positive results from two pivotal, phase III trials: OASIS 5, which compared *Arixtra* to Lovenox, and OASIS 6, which compared *Arixtra* to standard therapies for ACS. A filing for approval in Europe was also submitted to regulators in July.

***Trexima* – New data to be submitted to FDA**

Following the receipt of an approvable letter from the FDA in June, results from five recently completed US clinical trials have become available. The number of patients treated in these trials nearly doubles the total number of patients that have received ***Trexima***. These data will be incorporated into the full response to the approvable letter that will be submitted to the FDA in November.

News on other key assets:

New data for *Promacta*

Positive phase III data for ***Promacta*** (eltrombopag) were recently received for the *short-term* treatment of patients with idiopathic thrombocytopenic purpura (ITP). These data will be presented at scientific congresses in 2007 and the company is working closely with regulatory agencies to determine whether these data will be sufficient to file for approval next year. A phase III clinical programme is underway to assess the use of *Promacta* for the *long-term* treatment of ITP, with filings for this indication anticipated in 2008.

Separately during the quarter, positive phase II data for use of *Promacta*, in patients with Hepatitis C associated thrombocytopenia, were accepted for presentation to the American Association for the Study of Liver Disease (AASLD) meeting on 30th October. Phase III clinical trials are expected to start in 2007.

During the quarter, GSK also received data from a phase II trial for the treatment of chemotherapy-induced thrombocytopenia (CIT). A positive effect was seen with *Promacta* on increasing platelet production during chemotherapy cycles; however, the primary endpoint of the study was not met as the chemotherapy agent used in the trial did not induce sufficient levels of thrombocytopenia to differentiate *Promacta* versus placebo. These data are now being used to assess the design of further studies in CIT.

***Entereg* – Phase III results in OBD received in Q3; FDA action date for POI in November**

During the quarter, GSK announced results from two phase III studies (012 and 013), using ***Entereg*** (alvimopan) for the treatment of *opioid-induced bowel dysfunction*. Study 012 achieved statistical significance for the primary endpoint – the proportion of patients who had a weekly average of three or more spontaneous bowel movements (SBM). Study 013 did not achieve statistical significance on this endpoint. However, the data did show supportive evidence in a key secondary endpoint of change in average weekly frequency of SBMs. Further analysis of study 013 is being undertaken. The FDA's action date for approval of *Entereg*, for the management of *post-operative ileus*, is 9th November.

Pazopanib– Promising data seen in renal cell carcinoma study

During the quarter, a planned interim analysis of a phase II trial, assessing use of **pazopanib** in patients with advanced Renal Cell Carcinoma (RCC) was conducted. Based on positive findings, an independent data monitoring committee recommended that randomization of patients to the placebo arm of the trial be discontinued and that patients on placebo may be switched to treatment with pazopanib. The study is continuing as a single-arm trial, examining rate and duration of patient response with pazopanib, and results will be submitted for presentation to ASCO in 2007. Concurrently, over 100 patients have now been enrolled into a phase III trial assessing use of pazopanib for treatment of advanced RCC.

New generation flu vaccine demonstrates superior immune response in elderly population

New phase II data reported at the International Conference on Influenza Vaccines for the World (IVW), this month, demonstrated that GSK's **new generation seasonal influenza vaccine** showed a consistently better immunogenicity profile when compared with a currently used seasonal flu vaccine, in elderly subjects (65 years and over), permitting the elderly to reach the level of immune response typically observed in young adults. Data for the new adjuvanted vaccine demonstrated a seroprotection rate of 90.5% in the elderly, which was more than 25% higher than that reported in the age matched comparator group. Phase III registration trials in over 3,500 participants are now underway, with data expected in 2007.

H5N1 pandemic flu vaccine

GSK also presented complete immunogenicity data for its candidate **adjuvanted H5N1 pandemic flu vaccine** at IVW. The vaccine enabled over 80% of subjects who received 3.8µg of antigen (the lowest dose tested in the study) to demonstrate a strong seroprotective immune response. The clinical development programme for the vaccine is progressing well and GSK intends to file for approval with European regulatory authorities before the year-end.

On 18th October, GSK announced a supply contract with the Swiss Government for 8 million doses of its H5N1 influenza vaccine for pre-pandemic use. Supply and stockpiling of the vaccine is expected in early 2007, once it has been approved by the Swiss regulatory authorities. The supply contract also provides for an advance purchase agreement for 7.5 million doses of pandemic vaccine which will be manufactured once a pandemic strain is identified by the WHO.

GSK is in discussions with governments around the world regarding further supply agreements of vaccines for use in a pre-pandemic situation and in the event of a pandemic.

Other pipeline news:

During the quarter, GSK received further positive phase II results for its **MAGE-A3 immunotherapeutic vaccine** for non-small cell lung cancer. GSK now intends to begin the phase III development programme for the vaccine in the first half of 2007.

Clinical trials for ***Redona***, a DPPIV inhibitor for treatment of type 2 diabetes, were voluntarily placed on hold earlier this month following assessment of unfavourable preliminary data from pre-clinical long-term toxicity trials. These data are now being assessed to determine next steps for development of the product.

Development of **270773**, for sepsis, has been discontinued following an unfavourable risk/benefit assessment.

CONSUMER HEALTHCARE UPDATE

Brand portfolio to be enhanced with proposed CNS acquisition

Consumer Healthcare sales grew 4% to £766 million. Continuing strong growth in International (+10%), together with Europe (+4%), was partly offset by lower sales in the USA, down 3%.

- **Nutritional healthcare** products sales grew 8% to £178 million. Sales of ***Lucozade*** grew 19% to £86 million driven by new brand packaging and a new apple flavour variant. ***Horlicks*** sales were up 5% to £39 million and ***Ribena*** sales were down 4% to £44 million.
- **Oral care** sales were level in the quarter at £240 million reflecting strong sales of ***Sensodyne***, up 11% to £62 million, with sales of ***Aquafresh*** down 10% to £69 million.
- **Over-the-counter** medicine sales grew 4% to £348 million.

On 9th October, GSK announced its intention to acquire CNS, the manufacturer of **Breathe Right** nasal strips and **FiberChoice** dietary fibre supplements, for approximately $566 million. The transaction, which is expected to close by early 2007, is subject to CNS shareholder approval and regulatory clearance.

GSK is in ongoing discussions with the FDA regarding its application for OTC approval of ***alli*** (orlistat) as a weight-loss aid in the USA. All relevant safety and efficacy data have been provided to the agency and, subject to FDA approval, the company expects to launch *alli* in the first half of 2007.

These results have been prepared under International Financial Reporting Standards as adopted for use in the European Union (see 'Accounting Presentation and Policies' on page 23).

Operating profit and earnings per share

Operating profit of £2,023 million for the quarter increased by 19% compared with Q3 last year, and was above turnover growth of 7%, driving an improvement in operating margin of 3.3 percentage points to 35.9%. Consumer Healthcare operating profit was down 19%, compared with 2005, as a result of lower profits on product disposals. Excluding profits on these disposals, operating profit grew in line with turnover.

SG&A costs were 10% lower than last year, owing to lower legal charges. Excluding legal charges SG&A costs were 1% lower than the previous year reflecting the continuing benefits of cost saving programmes.

In the quarter, gains from asset disposals were £63 million (£122 million in 2005), costs for legal matters were £22 million (£190 million in 2005), the fair value movements on the Quest collar and Theravance options resulted in income of £22 million (£37 million income in 2005) and charges related to restructuring programmes were £124 million (£29 million in 2005). The total operating profit impact of these items was a £61 million charge in 2006, compared with a £60 million charge in 2005.

Profit after taxation grew by 19% which was level with the growth in operating profit and reflected lower net interest costs, largely offset by the higher expected tax rate for the year.

EPS of 24.7 pence increased 21% in CER terms (16% in sterling terms) compared with Q3 2005. The adverse currency impact of 5% on EPS reflected a weaker dollar and yen.

Currencies

The Q3 2006 results are based on average exchange rates, principally £1/$1.88, £1/Euro 1.48 and £1/Yen 219. The period-end exchange rates were £1/$1.87, £1/Euro 1.47 and £1/Yen 221. At 20th October 2006, the exchange rates were £1/$1.88, £1/Euro 1.49 and £1/Yen 222. If exchange rates were to hold at this level for the remainder of 2006, the adverse currency impact on EPS growth for the full-year would be around 1-2%.

Dividend

The Board has declared a third interim dividend of 12 pence per share. This compares with a dividend of 10 pence per share for Q3 2005. The equivalent dividend receivable by ADR holders is 45.0456 cents per ADS based on an exchange rate of £1/$1.8769. The dividend will have an ex-dividend date of 1st November 2006, a record date of 3rd November 2006 and will be paid on 4th January 2007. In recognition of GSK's strong financial performance to date the full year dividend for 2006 is expected to be 48 pence compared with 44 pence in 2005.

Earnings guidance

GSK earnings guidance for the full-year 2006 is mid-teens EPS percentage growth in CER terms. Previously guidance was for EPS growth around 12% in CER terms.

Share buy-back programme

GSK repurchased £316 million of shares in Q3 2006, to be held as Treasury shares. The company completed its second £4 billion share repurchase programme in September, and has announced today its intention to commence immediately a new share buy-back programme totalling £6 billion. This programme is expected to be completed over a three year period including £2 billion in the first 12 months. The exact amount and timing of future purchases, and the extent to which repurchased shares will be held as Treasury shares rather than being cancelled, will be determined by the company and is dependent on market conditions and other factors.

GlaxoSmithKline – one of the world's leading research-based pharmaceutical and healthcare companies – is committed to improving the quality of human life by enabling people to do more, feel better and live longer. For company information including a copy of this announcement and details of the company's updated product development pipeline, visit GSK at www.gsk.com

Enquiries:	**UK Media**	Philip Thomson	(020) 8047 5502
		Alice Hunt	(020) 8047 5502
		Gwenan White	(020) 8047 5502
	US Media	Nancy Pekarek	(215) 751 7709
		Mary Anne Rhyne	(919) 483 2839
		Patricia Seif	(215) 751 7709
	European Analyst / Investor	Anita Kidgell	(020) 8047 5542
		Jen Hill	(215) 751 7199
		David Mawdsley	(020) 8047 5564
		Sally Ferguson	(020) 8047 5543
	US Analyst / Investor	Frank Murdolo	(215) 751 7002
		Tom Curry	(215) 751 5419

Cautionary statement regarding forward-looking statements

Under the safe harbor provisions of the US Private Securities Litigation Reform Act of 1995, the company cautions investors that any forward-looking statements or projections made by the company, including those made in this Announcement, are subject to risks and uncertainties that may cause actual results to differ materially from those projected. Factors that may affect the Group's operations are described under 'Risk Factors' in the 'Operating and Financial Review and Prospects' in the company's Annual Report 2005.

INCOME STATEMENT
Three months ended 30th September 2006

	Q3 2006 £m	Growth CER%	Q3 2005 £m
Turnover:			
Pharmaceuticals	4,876	7	4,709
Consumer Healthcare	766	4	762
TURNOVER	5,642	7	5,471
Cost of sales	(1,222)	5	(1,184)
Gross profit	4,420	7	4,287
Selling, general and administration	(1,617)	(10)	(1,884)
Research and development	(871)	11	(803)
Other operating income	91		183
Operating profit:			
Pharmaceuticals	1,842	24	1,553
Consumer Healthcare	181	(19)	230
OPERATING PROFIT	2,023	19	1,783
Finance income	64		67
Finance expense	(81)		(113)
Share of after tax profits of associates and joint ventures	16		16
PROFIT BEFORE TAXATION	2,022	21	1,753
Taxation	(596)		(500)
Tax rate %	*29.5%*		*28.5%*
PROFIT AFTER TAXATION FOR THE PERIOD	1,426	19	1,253
Profit attributable to minority interests	35		46
Profit attributable to shareholders	1,391		1,207
	1,426		1,253
EARNINGS PER SHARE	24.7p	21	21.3p
Diluted earnings per share	24.4p		21.1p

INCOME STATEMENT
Nine months ended 30th September 2006

	9 months 2006 £m	Growth CER%	9 months 2005 £m	2005 £m
Turnover:				
Pharmaceuticals	14,942	9	13,553	18,661
Consumer Healthcare	2,324	5	2,200	2,999
TURNOVER	17,266	9	15,753	21,660
Cost of sales	(3,565)	2	(3,466)	(4,764)
Gross profit	13,701	10	12,287	16,896
Selling, general and administration	(5,323)	1	(5,210)	(7,250)
Research and development	(2,477)	13	(2,168)	(3,136)
Other operating income	207		332	364
Operating profit:				
Pharmaceuticals	5,624	18	4,719	6,159
Consumer Healthcare	484	(8)	522	715
OPERATING PROFIT	6,108	16	5,241	6,874
Finance income	204		172	257
Finance expense	(266)		(326)	(451)
Share of after tax profits of associates and joint ventures	43		39	52
PROFIT BEFORE TAXATION	6,089	18	5,126	6,732
Taxation	(1,796)		(1,461)	(1,916)
Tax rate %	*29.5%*		*28.5%*	*28.5%*
PROFIT AFTER TAXATION FOR THE PERIOD	4,293	16	3,665	4,816
Profit attributable to minority interests	85		98	127
Profit attributable to shareholders	4,208		3,567	4,689
	4,293		3,665	4,816
EARNINGS PER SHARE	74.5p	18	62.8p	82.6p
Diluted earnings per share	73.5p		62.3p	82.0p

PHARMACEUTICAL TURNOVER
Three months ended 30th September 2006

	Total		USA		Europe		International	
	£m	CER%	£m	CER%	£m	CER%	£m	CER%
RESPIRATORY	**1,185**	**(1)**	**593**	**(4)**	**399**	**4**	**193**	**3**
Seretide/Advair	813	14	464	17	271	12	78	-
Flixotide/Flovent	145	(1)	64	3	39	(7)	42	-
Serevent	69	(10)	20	(16)	35	(11)	14	-
Flixonase/Flonase	64	(59)	39	(70)	10	(29)	15	23
CENTRAL NERVOUS SYSTEM	**913**	**18**	**661**	**34**	**142**	**(16)**	**110**	**-**
Seroxat/Paxil	137	4	33	62	35	(27)	69	7
Paxil IR	103	(8)	2	100	35	(29)	66	6
Paxil CR	34	61	31	60	-	-	3	25
Wellbutrin	234	27	229	28	1	-	4	(20)
Wellbutrin IR, SR	26	17	22	21	1	-	3	(25)
Wellbutrin XL	208	28	207	29	-	-	1	-
Imigran/Imitrex	180	4	144	15	26	(28)	10	(15)
Lamictal	257	27	201	43	42	(16)	14	7
Requip	70	71	46	>100	21	24	3	50
ANTI-VIRALS	**703**	**9**	**339**	**6**	**218**	**14**	**146**	**11**
HIV	**363**	**(6)**	**168**	**(11)**	**149**	**-**	**46**	**(4)**
Combivir	125	(12)	57	(15)	52	(9)	16	(5)
Trizivir	63	(16)	34	(19)	27	(10)	2	(25)
Epivir	46	(25)	16	(23)	21	(33)	9	(8)
Ziagen	28	(12)	11	(8)	10	(23)	7	-
Agenerase, Lexiva	32	3	18	(10)	12	33	2	-
Epzicom/Kivexa	63	88	31	38	26	>100	6	>100
Herpes	**242**	**21**	**160**	**35**	**36**	**3**	**46**	**-**
Valtrex	215	26	158	36	28	12	29	-
Zovirax	27	(6)	2	-	8	(20)	17	-
Zeffix	42	16	4	-	6	50	32	13
Relenza	30	-	-	-	24	>100	6	>100
METABOLIC	**438**	**16**	**289**	**15**	**64**	**30**	**85**	**10**
Avandia	323	13	242	14	30	7	51	16
Avandamet	44	(21)	13	(64)	25	100	6	-
Avandaryl	11	-	10	-	-	-	1	-
Bonviva/Boniva	27	>100	24	>100	3	>100	-	-
VACCINES	**412**	**5**	**130**	**8**	**169**	**6**	**113**	**2**
Hepatitis	114	(2)	39	-	54	(5)	21	6
Infanrix/Pediarix	122	6	45	(4)	65	16	12	-
Boostrix	18	64	14	75	3	50	1	-
CARDIOVASCULAR AND UROGENITAL	**406**	**23**	**269**	**37**	**96**	**(6)**	**41**	**23**
Coreg	195	32	193	32	-	-	2	100
Levitra	11	22	11	71	-	-	-	-
Avodart	57	61	37	85	17	21	3	100
Arixtra	13	100	7	>100	6	>100	-	-
Fraxiparine	49	2	-	-	44	5	5	(17)
ANTI-BACTERIALS	**311**	**(8)**	**52**	**(2)**	**135**	**(13)**	**124**	**(5)**
Augmentin	121	(15)	20	(28)	54	(21)	47	(2)
Zinnat/Ceftin	35	(10)	3	-	16	(16)	16	(5)
ONCOLOGY AND EMESIS	**279**	**11**	**223**	**18**	**37**	**(8)**	**19**	**(13)**
Zofran	223	8	185	16	25	(10)	13	(26)
Hycamtin	28	12	17	-	10	29	1	100
OTHER	**229**	**(7)**	**18**	**6**	**61**	**(18)**	**150**	**(2)**
Zantac	51	(11)	16	7	11	(31)	24	(10)
	4,876	**7**	**2,574**	**14**	**1,321**	**-**	**981**	**3**

Pharmaceutical turnover includes co-promotion income.

PHARMACEUTICAL TURNOVER
Nine months ended 30th September 2006

	Total		USA		Europe		International	
	£m	CER%	£m	CER%	£m	CER%	£m	CER%
RESPIRATORY	**3,726**	**1**	**1,845**	**(2)**	**1,264**	**3**	**617**	**6**
Seretide/Advair	2,451	13	1,377	13	840	11	234	12
Flixotide/Flovent	487	4	219	13	131	(6)	137	1
Serevent	217	(11)	64	(16)	107	(12)	46	2
Flixonase/Flonase	263	(46)	167	(55)	40	(15)	56	(17)
CENTRAL NERVOUS SYSTEM	**2,727**	**16**	**1,928**	**29**	**458**	**(15)**	**341**	**5**
Seroxat/Paxil	457	1	126	23	114	(22)	217	8
Paxil IR	335	(6)	16	(11)	114	(22)	205	6
Paxil CR	122	32	110	30	–	–	12	50
Wellbutrin	688	30	674	30	2	100	12	20
Wellbutrin IR, SR	77	12	67	10	2	100	8	14
Wellbutrin XL	611	32	607	32	–	–	4	33
Imigran/Imitrex	537	4	413	11	93	(12)	31	(16)
Lamictal	739	17	561	36	136	(22)	42	2
Requip	192	79	124	>100	60	22	8	33
ANTI-VIRALS	**2,121**	**10**	**1,021**	**7**	**645**	**11**	**455**	**18**
HIV	**1,155**	**–**	**532**	**(7)**	**475**	**5**	**148**	**10**
Combivir	409	(7)	182	(14)	169	(2)	58	8
Trizivir	207	(9)	109	(12)	88	(5)	10	(9)
Epivir	159	(21)	54	(25)	72	(24)	33	(3)
Ziagen	89	(14)	36	(12)	31	(28)	22	17
Agenerase, Lexiva	97	20	55	8	36	50	6	–
Epzicom/Kivexa	172	>100	92	60	68	>100	12	>100
Herpes	**723**	**19**	**456**	**30**	**108**	**3**	**159**	**7**
Valtrex	633	24	450	30	82	11	101	12
Zovirax	90	(5)	6	20	26	(16)	58	(2)
Zeffix	120	15	10	–	17	13	93	16
Relenza	54	>100	1	–	39	>100	14	>100
METABOLIC	**1,401**	**24**	**956**	**26**	**183**	**36**	**262**	**14**
Avandia	1,075	22	822	24	95	14	158	17
Avandamet	136	4	54	(40)	65	>100	17	33
Avandaryl	28	–	26	–	–	–	2	–
Bonviva/Boniva	61	>100	54	>100	7	>100	–	–
VACCINES	**1,165**	**19**	**303**	**23**	**509**	**20**	**353**	**15**
Hepatitis	351	5	118	15	167	(1)	66	8
Infanrix/Pediarix	375	29	125	14	209	41	41	24
Boostrix	42	>100	28	>100	10	100	4	33
CARDIOVASCULAR AND UROGENITAL	**1,215**	**24**	**791**	**42**	**294**	**(5)**	**130**	**22**
Coreg	580	38	575	38	–	–	5	25
Levitra	31	–	29	12	1	(67)	1	(100)
Avodart	155	70	95	>100	50	25	10	67
Arixtra	37	>100	20	>100	16	>100	1	–
Fraxiparine	156	(1)	–	–	135	2	21	(13)
ANTI-BACTERIALS	**1,015**	**(10)**	**160**	**(16)**	**464**	**(13)**	**391**	**(2)**
Augmentin	425	(15)	69	(35)	201	(15)	155	(1)
Zinnat/Ceftin	122	(15)	9	33	60	(28)	53	(2)
ONCOLOGY AND EMESIS	**856**	**13**	**674**	**20**	**120**	**(4)**	**62**	**(8)**
Zofran	682	11	549	17	86	(9)	47	(13)
Hycamtin	85	14	54	8	26	19	5	50
OTHER	**716**	**(7)**	**65**	**24**	**183**	**(22)**	**468**	**(3)**
Zantac	177	(1)	56	34	39	(17)	82	(9)
	14,942	**9**	**7,743**	**16**	**4,120**	**–**	**3,079**	**7**

Pharmaceutical turnover includes co-promotion income.

CONSUMER HEALTHCARE TURNOVER
Three months ended 30th September 2006

	Q3 2006 £m	Growth CER%
Over-the-counter medicines	**348**	**4**
Analgesics	91	1
Dermatological	37	12
Gastrointestinal	61	(2)
Respiratory tract	42	22
Smoking control	73	(6)
Natural wellness support	30	(3)
Oral care	**240**	**-**
Nutritional healthcare	**178**	**8**
Total	**766**	**4**

CONSUMER HEALTHCARE TURNOVER
Nine months ended 30th September 2006

	9 months 2006 £m	Growth CER%
Over-the-counter medicines	**1,087**	**4**
Analgesics	285	6
Dermatological	122	-
Gastrointestinal	189	1
Respiratory tract	118	16
Smoking control	250	2
Natural wellness support	94	(4)
Oral care	**735**	**5**
Nutritional healthcare	**502**	**8**
Total	**2,324**	**5**

Operating profit

	Q3 2006		Q3 2005		Growth	
	£m	% of turnover	£m	% of turnover	CER%	£%
Turnover	**5,642**	**100.0**	5,471	100.0	7	3
Cost of sales	**(1,222)**	**(21.7)**	(1,184)	(21.6)	5	3
Selling, general and administration	**(1,617)**	**(28.6)**	(1,884)	(34.4)	(10)	(14)
Research and development	**(871)**	**(15.4)**	(803)	(14.7)	11	8
Other operating income	**91**	**1.6**	183	3.3		
Operating profit	**2,023**	**35.9**	1,783	32.6	19	13

Overall, the operating margin increased 3.3 percentage points as sterling operating profit increased 13% on a sterling turnover growth of 3% reflecting lower SG&A costs, partially offset by an increase in R&D expenditure and lower other operating income.

Cost of sales grew below the rate of turnover growth. This reflected a number of factors including favourable price and regional mix changes, and the adverse impact of higher charges related to restructuring programmes.

SG&A costs were 10% lower than last year owing to lower legal charges. Excluding legal charges SG&A costs were 1% lower than the previous year reflecting the continuing benefits of cost saving programmes.

R&D expenditure increased 11% and was adversely impacted by higher charges related to restructuring programmes but benefited from lower intangible write-offs. This resulted in the R&D margin increasing 0.7 percentage points to 15.4%. Excluding these items, R&D grew 7%. Pharmaceuticals R&D expenditure represented 17.4% of pharmaceutical turnover.

Other operating income includes royalty income, equity investment disposals and impairments, product disposals and fair value adjustments to the Quest collar and Theravance options. Other operating income was £91 million in Q3 2006 compared with £183 million in Q3 2005. The decrease is primarily due to lower product and asset disposal profits.

Taxation

The charge for taxation on profit amounting to £596 million, represents an effective tax rate of 29.5%, which is the expected rate for the year (2005 28.5%).

The 'Taxation' note to the Financial Statements included in the Annual Report 2005 set out in detail the transfer pricing issues affecting the group. The current status relating to these issues is set out below.

GSK and the US Internal Revenue Service agreed to a resolution of their transfer pricing dispute on 11th September 2006. As at 30th September 2006, GSK had made gross payments to the IRS of $3.3 billion under this agreement. The Group expects to discharge the remaining liabilities arising out of this agreement by the end of 2006. Under the agreement the final net cash cost to GSK will be approximately $3.1 billion which covers federal, state and local taxes, interest and also the benefit of tax relief on the payments made. The settlement resolved all the transfer pricing issues which were in dispute for the period 1989 – 2000, which was due to go to trial in February 2007, and also covers the subsequent years 2001 – 2005. GSK had previously made provision for the dispute and this settlement will not have any significant impact on the company's reported earnings or tax rate for the year.

The Group has remaining open taxation issues with the UK, Japan and Canada. Discussions continue with HMRC in respect of the UK dispute; in Japan court hearings are expected to be completed before the end of the year with a decision expected in the first half of 2007; and in Canada a court hearing ended in July and a decision is expected this year.

GSK uses the best advice in determining its transfer pricing methodology and seeking to manage transfer pricing and other taxation issues to a satisfactory conclusion, and on the basis of external professional advice, continues to believe that it has made adequate provision for the liabilities likely to arise from open assessments. The ultimate liability for such matters may vary from the amounts provided and is dependent on the outcome of litigation proceedings and negotiations with the relevant tax authorities.

Weighted average number of shares

	Q3 2006 millions	Q3 2005 millions
Weighted average number of shares – basic	5,641	5,668
Dilutive effect of share options and share awards	70	44
Weighted average number of shares – diluted	5,711	5,712

	9 months 2006 millions	9 months 2005 millions	2005 millions
Weighted average number of shares – basic	5,652	5,680	5,674
Dilutive effect of share options and share awards	70	42	46
	5,722	5,722	5,720

The number of shares in issue, excluding those held by the ESOP Trusts and those held as Treasury shares at 30th September 2006, was 5,632 million (30th September 2005: 5,658 million).

Dividends

	Paid/ payable	Pence per share	£m
2006			
First interim	6th July 2006	11	619
Second interim	5th October 2006	11	619
Third interim	4th January 2007	12	676
2005			
First interim	7th July 2005	10	568
Second interim	6th October 2005	10	567
Third interim	5th January 2006	10	568
Fourth interim	6th April 2006	14	791
		44	2,494

The liability for an interim dividend is only recognised when it is paid, which is usually after the accounting period to which it relates. The second and third interim dividends for 2006 have not been recognised in these results.

STATEMENT OF RECOGNISED INCOME AND EXPENSE

	9 months 2006 £m	9 months 2005 £m	2005 £m
Exchange movements on overseas net assets	(293)	128	203
Tax on exchange movements	(141)	56	99
Fair value movements on available-for-sale investments	23	(5)	(1)
Deferred tax on fair value movements	(8)	(5)	(10)
Exchange movements on goodwill in reserves	20	7	9
Actuarial gains/(losses) on defined benefit plans	409	(462)	(794)
Deferred tax on actuarial movements in defined benefit plans	(137)	156	257
Fair value movements on cash flow hedges	(5)	(1)	(4)
Deferred tax on fair value movements on cash flow hedges	2	(2)	1
Net losses recognised directly in equity	(130)	(128)	(240)
Profit for the period	4,293	3,665	4,816
Total recognised income and expense for the period	4,163	3,537	4,576
Total recognised income and expense for the period attributable to:			
Shareholders	4,101	3,422	4,423
Minority interests	62	115	153
	4,163	3,537	4,576

BALANCE SHEET

	30th September 2006 £m	30th September 2005 £m	31st December 2005 £m
ASSETS			
Non-current assets			
Property, plant and equipment	6,795	6,332	6,652
Goodwill	679	334	696
Other intangible assets	3,194	2,641	3,383
Investments in associates and joint ventures	292	256	276
Other investments	379	350	362
Deferred tax assets	2,054	2,140	2,214
Other non-current assets	565	529	438
Total non-current assets	13,958	12,582	14,021
Current assets			
Inventories	2,493	2,200	2,177
Current tax recoverable	758	409	416
Trade and other receivables	5,252	4,854	5,348
Liquid investments	1,043	336	1,025
Cash and cash equivalents	2,344	6,093	4,209
Assets held for sale	4	3	2
Total current assets	11,894	13,895	13,177
TOTAL ASSETS	25,852	26,477	27,198
LIABILITIES			
Current liabilities			
Short-term borrowings	(653)	(1,616)	(1,200)
Trade and other payables	(4,611)	(4,579)	(5,147)
Current tax payable	(1,100)	(2,231)	(2,269)
Short-term provisions	(929)	(1,005)	(895)
Total current liabilities	(7,293)	(9,431)	(9,511)
Non-current liabilities			
Long-term borrowings	(4,852)	(5,212)	(5,271)
Deferred tax provision	(587)	(425)	(569)
Pensions and other post-employment benefits	(2,613)	(3,164)	(3,069)
Other provisions	(655)	(572)	(741)
Other non-current liabilities	(448)	(495)	(467)
Total non-current liabilities	(9,155)	(9,868)	(10,117)
TOTAL LIABILITIES	(16,448)	(19,299)	(19,628)
NET ASSETS	9,404	7,178	7,570
EQUITY			
Share capital	1,497	1,487	1,491
Share premium account	804	382	549
Other reserves	(79)	(410)	(308)
Retained earnings	6,940	5,486	5,579
Shareholders' equity	9,162	6,945	7,311
Minority interests	242	233	259
TOTAL EQUITY	9,404	7,178	7,570

RECONCILIATION OF MOVEMENTS IN EQUITY

	9 months 2006 £m	9 months 2005 £m	2005 £m
Total equity at beginning of period	7,570	5,925	5,925
Total recognised income and expense for the period	4,163	3,537	4,576
Dividends to shareholders	(1,978)	(1,823)	(2,390)
Shares issued	261	81	252
Shares purchased and held as Treasury shares	(828)	(638)	(1,000)
Consideration received for shares transferred by ESOP Trusts	120	23	68
Share-based incentive plans net of tax	175	183	265
Changes in minority interest shareholdings	2	(32)	(40)
Distributions to minority shareholders	(81)	(78)	(86)
Total equity at end of period	9,404	7,178	7,570

FINANCIAL REVIEW – BALANCE SHEET

Net assets

The book value of net assets increased by £1,834 million from £7,570 million at 31st December 2005 to £9,404 million at 30th September 2006. Net debt increased and the overall tax creditor position decreased following the payment of £1.8 billion under the transfer pricing dispute settlement with the US Internal Revenue Service (see 'Taxation' on page 14) and the pension and other post-employment liabilities decreased following a strengthening of long-term interest rates, including an increase in the rate used to discount UK pension liabilities from 4.75% to 5.0%.

The carrying value of investments in associates and joint ventures at 30th September 2006 was £292 million, with a market value of £1,224 million.

Equity

At 30th September 2006, total equity had increased from £7,570 million at 31st December 2005 to £9,404 million. The increase arises principally from retained earnings and actuarial gains on defined benefit pension plans in the period partially offset by further purchases of Treasury shares.

At 30th September 2006, the ESOP Trusts held 156.5 million GSK ordinary shares against the future exercise of share options and share awards. The carrying value of £2,091 million has been deducted from other reserves. The market value of these shares was £2,225 million. At 30th September 2006, GSK also held 198.1 million shares as Treasury shares, at a cost of £2,627 million, which has been deducted from retained earnings.

CASH FLOW STATEMENT
Three months ended 30th September 2006

	Q3 2006 £m	Q3 2005 £m
Operating profit	2,023	1,783
Depreciation and other non-cash items	303	253
(Increase)/decrease in working capital	(289)	9
Increase in other net liabilities	77	280
	2,114	2,325
Taxation paid	(2,166)	(469)
Net cash (outflow)/inflow from operating activities	(52)	1,856
Cash flow from investing activities		
Purchase of property, plant and equipment	(368)	(237)
Proceeds from sale of property, plant and equipment	15	36
Purchase of intangible assets	(74)	(33)
Proceeds from sale of intangible assets	76	54
Purchase of equity investments	(22)	(10)
Proceeds from sale of equity investments	6	11
Share transactions with minority shareholders	(158)	–
Purchase of businesses, net of cash acquired	7	(143)
Investment in associates and joint ventures	(1)	–
Interest received	58	71
Dividends from associates and joint ventures	6	5
Net cash outflow from investing activities	(455)	(246)
Cash flow from financing activities		
(Increase)/decrease in liquid investments	(59)	2
Proceeds from own shares for employee share options	17	4
Issue of share capital	37	33
Purchase of Treasury shares	(309)	(235)
Repayment of long-term loans	–	(69)
Net increase in/(repayment of) short-term loans	43	(8)
Net repayment of obligations under finance leases	(10)	(7)
Interest paid	(74)	(117)
Dividends paid to shareholders	(619)	(568)
Dividends paid to minority interests	(15)	(5)
Other financing cash flows	(50)	109
Net cash outflow from financing activities	(1,039)	(861)
(Decrease)/increase in cash and bank overdrafts in the period	(1,546)	749
Exchange adjustments	11	66
Cash and bank overdrafts at beginning of period	3,543	5,050
Cash and bank overdrafts at end of period	2,008	5,865
Cash and bank overdrafts at end of period comprise:		
Cash and cash equivalents	2,344	6,093
Overdrafts	(336)	(228)
	2,008	5,865

CASH FLOW STATEMENT
Nine months ended 30th September 2006

	9 months 2006 £m	9 months 2005 £m	2005 £m
Operating profit	**6,108**	5,241	6,874
Depreciation and other non-cash items	**887**	669	1,103
Increase in working capital	**(460)**	(68)	(323)
(Decrease)/increase in other net liabilities	**(278)**	103	11
	6,257	5,945	7,665
Taxation paid	**(3,405)**	(1,272)	(1,707)
Net cash inflow from operating activities	**2,852**	4,673	5,958
Cash flow from investing activities			
Purchase of property, plant and equipment	**(896)**	(555)	(903)
Proceeds from sale of property, plant and equipment	**32**	63	54
Purchase of intangible assets	**(155)**	(185)	(278)
Proceeds from sale of intangible assets	**183**	224	221
Purchase of equity investments	**(35)**	(18)	(23)
Proceeds from sale of equity investments	**22**	22	35
Share transactions with minority shareholders	**(158)**	(32)	(36)
Purchase of businesses, net of cash acquired	**(17)**	(143)	(1,026)
Disposals of businesses and interests in associates	**3**	–	(2)
Investment in associates and joint ventures	**(8)**	(2)	(2)
Interest received	**197**	200	290
Dividends from associates and joint ventures	**13**	8	10
Net cash outflow from investing activities	**(819)**	(418)	(1,660)
Cash flow from financing activities			
(Increase)/decrease in liquid investments	**(49)**	1,234	550
Proceeds from own shares for employee share options	**120**	23	68
Issue of share capital	**261**	81	252
Purchase of Treasury shares	**(814)**	(625)	(999)
Increase in long-term loans	**–**	982	982
Repayment of long-term loans	**–**	(124)	(70)
Net repayment of short-term loans	**(874)**	(314)	(857)
Net repayment of obligations under finance leases	**(27)**	(25)	(36)
Interest paid	**(247)**	(321)	(381)
Dividends paid to shareholders	**(1,978)**	(1,823)	(2,390)
Dividends paid to minority interests	**(81)**	(78)	(86)
Other financing cash flows	**(100)**	32	53
Net cash outflow from financing activities	**(3,789)**	(958)	(2,914)
(Decrease)/increase in cash and bank overdrafts in the period	**(1,756)**	3,297	1,384
Exchange adjustments	**(208)**	213	233
Cash and bank overdrafts at beginning of period	**3,972**	2,355	2,355
Cash and bank overdrafts at end of period	**2,008**	5,865	3,972
Cash and bank overdrafts at end of period comprise:			
Cash and cash equivalents	**2,344**	6,093	4,209
Overdrafts	**(336)**	(228)	(237)
	2,008	5,865	3,972

RECONCILIATION OF CASH FLOW TO MOVEMENTS IN NET DEBT

	9 months 2006 £m	9 months 2005 £m	2005 £m
Net debt at beginning of the period	(1,237)	(1,984)	(1,984)
(Decrease)/increase in cash and bank overdrafts	(1,756)	3,297	1,384
Cash outflow/(inflow) from liquid investments	49	(1,234)	(550)
Net increase in long-term loans	–	(858)	(912)
Net repayment of short-term loans	874	314	857
Net repayment of obligations under finance leases	27	25	36
Net non-cash funds of businesses acquired	–	(23)	(68)
Exchange adjustments	(12)	83	39
Other non-cash movements	(63)	(19)	(39)
(Increase)/decrease in net debt	(881)	1,585	747
Net debt at end of the period	(2,118)	(399)	(1,237)

FINANCIAL REVIEW – CASH FLOW

Operating cash flow was £2,114 million in Q3 2006. This represents a decrease of £211 million over Q3 2005, principally due to higher operating profits which were more than offset by an increase in working capital and a lower increase in other net liabilities. Taxation paid during the quarter included the payment of £1.8 billion under the transfer pricing dispute settlement with the US Internal Revenue Service (see 'Taxation' on page 14). Excluding this payment the operating cash flow is in excess of the funds needed for the routine cash flows of tax, capital expenditure on property, plant and equipment and dividend payments, together amounting to nearly £1.4 billion. Receipts of £54 million arose from the exercise of share options: £17 million from shares held by the ESOP Trusts and £37 million from the issue of new shares. In addition, £309 million was spent in the quarter on purchasing the company's shares to be held as Treasury shares.

EXCHANGE RATES

The results and net assets of the Group, as reported in sterling, are affected by movements in exchange rates between sterling and overseas currencies. GSK uses the average of exchange rates prevailing during the period to translate the results and cash flows of overseas Group subsidiary and associated undertakings into sterling and period-end rates to translate the net assets of those undertakings. The currencies which most influence these translations, and the relevant exchange rates, are:

	9 months 2006	9 months 2005	2005
Average rates:			
£/US$	1.82	1.85	1.82
£/Euro	1.46	1.46	1.46
£/Yen	211.00	199.00	200.00
Period-end rates:			
£/US$	1.87	1.77	1.72
£/Euro	1.47	1.47	1.46
£/Yen	221.00	201.00	203.00

During the period to 30th September 2006, average sterling exchange rates were weaker against the US dollar, level against the Euro and stronger against the Yen compared with the same period in 2005. Comparing Q3 2006 period-end rates with Q3 2005 period-end rates, sterling was level against the Euro and stronger against the US dollar and the Yen.

LEGAL MATTERS

The Group is involved in various legal and administrative proceedings, principally product liability, intellectual property, tax, anti-trust and governmental investigations and related private litigation concerning sales, marketing and pricing. The Group makes provision for those proceedings on a regular basis and may make additional significant provisions for such legal proceedings, as required in the event of further developments in those matters, consistent with generally accepted accounting principles. Litigation, particularly in the USA, is inherently unpredictable and excessive awards that may not be justified by the evidence can occur. The Group could in the future incur judgements or enter into settlements of claims that could result in payments that exceed its current provisions by an amount that would have a material adverse effect on the Group's financial condition, results of operations and cash flows.

Intellectual property claims include challenges to the validity of the patents on various of the Group's products or processes and assertions of non-infringement of those patents. A loss in any of these cases could result in loss of patent protection for the product at issue. The consequence of any such loss could be a significant decrease in sales of that product and could materially affect future results of operations for the Group.

At 30th September 2006, the Group's aggregate provision for legal and other disputes (not including tax matters described under 'Taxation' on page 14) was over £1.1 billion. The ultimate liability for legal claims may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations.

Developments since the date of the Annual Report as previously updated by the Legal matters section of the Results Announcement for the first and second quarters of 2006 include:

Intellectual property

With respect to Biovail's patent infringement action against Anchen Pharmaceuticals in respect of *Wellbutrin XL*, on 1st August 2006 the judge granted Anchen's motion and ruled that Anchen's ANDA product did not infringe Biovail's patent. Biovail has appealed that decision to the US Court of Appeals for the Federal Circuit. At the date of this report no generic version of *Wellbutrin XL* has been launched in the USA. With respect to Biovail's infringement action against Abrika Pharmaceuticals in respect of *Wellbutrin XL*, oral argument on Abrika's motion for summary judgement was held in April 2006 but at the date of this report no decision has been announced. With respect to Biovail's infringement action against Impax Laboratories in respect of *Wellbutrin XL*, Impax filed a summary judgement motion of non-infringement on 14th August 2006 but at the date of this report no decision has been announced. With respect to the counterclaim based on FDA Orange Book listing activities filed against the Group by Watson Laboratories in connection with Biovail's infringement action against Watson, on 19th October 2006 that counterclaim was dismissed.

With respect to the Group's patent infringement actions in respect of *Imitrex* oral tablets, the Group has reached a settlement with Dr. Reddy's Laboratories. The settlement, which remains subject to review by the US Federal Trade Commission (FTC) and the Department of Justice (DOJ), provides that Dr. Reddy's may exclusively distribute authorised generic versions of sumatriptan tablets in the USA with an expected launch date late in the fourth quarter of 2008. The trial date for the Group's infringement action against Cobalt Pharmaceuticals on the same compound patent as the Dr. Reddy's case, and also for oral tablets, has been rescheduled for 27th November 2006. The trial date for the Group's infringement action against Spectrum Pharmaceuticals regarding *Imitrex* subcutaneous injection is set for 14th November 2006. A second infringement action against Spectrum Pharmaceuticals was filed in September 2006 regarding *Imitrex* pre-filled syringes; this action is on the same compound patent as the other *Imitrex* infringement actions but no trial date has been set.

With respect to the appeal by Kali Laboratories from the district court decision in favour of the Group in respect of infringement of the Group's method of use patents relating to *Zofran*, the parties have reached a settlement agreement which is subject to review by the FTC and the DOJ. Kali has filed a motion to withdraw its appeal. Terms of the settlement remain confidential.

Sales and marketing and regulation

On 10th August 2006, the Group reached civil settlements to resolve most of the litigation about the Average Wholesale Price (AWP) of certain of the Group's prescription drugs. The Group agreed to a nationwide settlement (subject to court approval) of $70 million to resolve class-action claims filed on behalf of certain individuals, health plans and insurance companies, including all claims filed against the Group in a consolidated Multidistrict Litigation pending in the US District Court for the District of Massachusetts. In addition, the Group reached civil settlements in AWP litigation filed by the Attorneys General of New York, California, Connecticut, Nevada, Montana and Arizona as well as potential AWP claims by 34 other states and the District of Columbia. The total amount of the settlements was covered by the Group's existing legal provision.

Anti-trust

With respect to the ongoing investigation by the European Commission concerning enforcement of patent rights, litigation surrounding regulatory approvals and marketing of *Seroxat* in Europe, the Commission made a formal request for further information on 5th October 2006. The Group continues to co-operate fully with the Commission.

On 4th September 2006, GSK received a favourable decision from the Greek Competition Authority (GCA) regarding GSK's refusal to supply unlimited quantities of pharmaceutical products, at Greek regulated prices, to distributors, which were likely to be exported to other EU member states, where prices were higher. The GCA ruled that there was no abuse by GSK in refusing to supply unlimited quantities of the drugs to wholesalers and pharmacy co-operatives in Greece.

On 27th September 2006, the European Court of First Instance (CFI) ruled in GSK's favour that a distribution scheme, that involved different prices depending on the destination of a medicine, set up by a pharmaceutical company to reduce parallel trade between EU member states, is not per se prohibited under EU competition law. In coming to this decision, the CFI took account of the differences in national pricing regimes in the EU, which create significant price differences between member states.

Commercial and corporate

With respect to the securities class action filed against the Group in the US District Court for the Southern District of New York, on 6th October 2006 the US district court judge entered an order dismissing the complaint.

Developments with respect to tax matters are described in 'Taxation' on page 14.

ACCOUNTING PRESENTATION AND POLICIES

This unaudited Results Announcement containing condensed financial information for the three and nine months ended 30th September 2006 is prepared in accordance with IAS 34 'Interim Financial Reporting' and the accounting policies set out in the Annual Report 2005, except that IFRIC Interpretation 4 'Determining whether an arrangement contains a lease' and an amendment to IAS 39 'Financial guarantee contracts' have been implemented in 2006. Neither change has had a material effect on the current or prior periods.

Adjustments have been made to the balance sheet at 30th September 2005 from that published in the Q3 2005 Results Announcement in order to reflect the presentation subsequently adopted in the Annual Report 2005. The adjustments have been made to deferred tax and minority interests and they have decreased net assets and total equity at 30th September 2005 by £214 million compared with the previously reported balances. The adjustments had no impact on the profits reported in Q3 2005.

The income statement, statement of recognised income and expense and cash flow statement for the year ended, and the balance sheet at, 31st December 2005 have been derived from the full Group accounts published in the Annual Report 2005, which have been delivered to the Registrar of Companies and on which the report of the independent auditors was unqualified and did not contain a statement under either section 237(2) or section 237(3) of the Companies Act 1985.

Data for market share and market growth rates are GSK estimates based on the most recent data from independent external sources and, where appropriate, are valued in sterling at relevant exchange rates. Figures quoted for product market share reflect sales by GSK and licensees.

In order to illustrate underlying performance, it is the Group's practice to discuss its results in terms of constant exchange rate (CER) growth. This represents growth calculated as if the exchange rates used to determine the results of overseas companies in sterling had remained unchanged from those used in the previous year. All commentaries are presented in terms of CER unless otherwise stated.

INVESTOR INFORMATION

Approval of results for Q3 2006
This Announcement was approved by the Board of Directors on Thursday 26th October 2006.

Financial calendar
The company will announce preliminary results for 2006 and fourth quarter results on 8th February 2007. The fourth interim dividend for 2006 will have an ex-dividend date of 14th February 2007 and a record date of 16th February 2007. It will be paid on 12th April 2007

Internet
This Announcement and other information about GSK is available on the company's website at: http://www.gsk.com

INDEPENDENT REVIEW REPORT TO GLAXOSMITHKLINE PLC

Introduction

We have been instructed by the company to review the financial information for the three and nine months ended 30th September 2006 which comprises the consolidated interim balance sheet as at 30th September 2006 and the related consolidated interim statements of income, cash flows and recognised income and expense for the three and nine months then ended and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors.

This interim report has been prepared in accordance with the International Accounting Standard 34, 'Interim Financial Reporting', which requires that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of this Results Announcement and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the three and nine months ended 30th September 2006.

PricewaterhouseCoopers LLP
Chartered Accountants
London
26th October 2006

Notes:

(a) The maintenance and integrity of the GlaxoSmithKline plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

GlaxoSmithKline plc

(Registrant)

Date: October 26, 2006

By: /s/ Simon Bicknell

SIMON BICKNELL

Authorised Signatory for and on behalf of
GlaxoSmithKline plc

EXHIBIT 4

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For period ending October 31, 2006

GlaxoSmithKline plc

(Name of registrant)

980 Great West Road, Brentford, Middlesex, TW8 9GS
(Address of principal executive offices)

Indicate by check mark whether the registrant files or
will file annual reports under cover Form 20-F
or Form 40-F

Form 20-F x Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No x

GlaxoSmithKline PLC

GlaxoSmithKline plc (the "Company") announces that in accordance with the authority granted by shareholders at the Company's Annual General Meeting on 17 May 2006 it purchased 2,365,000 of its Ordinary shares of 25 pence each ("shares") on 31 October 2006 at a price of 1402.76 pence per share.

The Company intends to hold these shares in Treasury.

Following the purchase of these shares, the Company holds 208,769,678 of its shares in Treasury and has 5,779,184,424 shares in issue (excluding Treasury shares).

This announcement does not constitute, or form part of, an offer or any solicitation of an offer to purchase or subscribe for securities in any jurisdiction.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

GlaxoSmithKline plc
(Registrant)

Date: October 31, 2006

By: VICTORIA WHYTE

Victoria Whyte
Authorised Signatory for and on
behalf of GlaxoSmithKline plc

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For period ending October 31, 2006

GlaxoSmithKline plc

(Name of registrant)

980 Great West Road, Brentford, Middlesex, TW8 9GS
(Address of principal executive offices)

Indicate by check mark whether the registrant files or
will file annual reports under cover Form 20-F
or Form 40-F

Form 20-F x Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No x

Notification of Transactions of Directors, Persons Discharging Managerial Responsibility or Connected Persons

I give below details of changes in interests in the American Depositary Shares (ADSs) of GlaxoSmithKline plc in respect of the under-mentioned Director:-

Dr J-P Garnier	Exercise of options on 30 October 2006 over 68,411 ADSs granted on 21 November 1996, which would have lapsed on 20 November 2006, under the SmithKline Beecham Employee Share Option Plan 1991 at a price of $28.159 per ADS. The sale of 45,500 ADSs on 30 October 2006 at an average price of $53.12. Following this transaction Dr Garnier's total shareholding in the Company is 529,769.32 ADSs, which includes 217,892 ADSs that have been earned but deferred under the share programmes operated by the Company. At the price at which the above options were exercised, Dr Garnier's holding is equivalent to more than 16 times his annual basic salary.

The Company was advised of these transactions on 31 October 2006.

This notification is in accordance with Disclosure Rule 3.1.4R(1)(b).

S M Bicknell
Company Secretary

31 October 2006

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the

undersigned, thereunto duly authorised.

GlaxoSmithKline plc
(Registrant)

Date: October 31, 2006

By: VICTORIA WHYTE

Victoria Whyte
Authorised Signatory for and on
behalf of GlaxoSmithKline plc

EXHIBIT 5

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For period ending January 9, 2007

GlaxoSmithKline plc

(Name of registrant)

980 Great West Road, Brentford, Middlesex, TW8 9GS
(Address of principal executive offices)

Indicate by check mark whether the registrant files or
will file annual reports under cover Form 20-F
or Form 40-F

Form 20-F x Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No x

Notification of Transactions of Directors, Persons Discharging Managerial Responsibility or Connected Persons

I give below details of changes in the interests of Directors, Persons Discharging Managerial Responsibility or Connected Persons in the Ordinary Shares of GlaxoSmithKline plc.

8 January 2007	Abacus Corporate Trustees Limited, as trustee of the GlaxoSmithKline (US) Trust, ("the GSK US Trust"), sold 585 Ordinary Share ADRs in the Company on behalf of participants in the GlaxoSmithKline Share Value Plan at a price of $52.88 per ADR.
8 January 2007	The GSK US Trust transferred 1,169 Ordinary Share ADRs in the Company to participants in the GlaxoSmithKline Share Value Plan.

The Company was advised of these transactions on 9 January 2007.

The GSK US Trust is a grantor trust of which all employees or former employees of SmithKline Beecham Corporation and its subsidiaries are potential beneficiaries. Two of the Company's directors, Dr J-P Garnier and Dr M M Slaoui are therefore interested in the shares held in the GSK US Trust from time to time in the same way as other employees or former employees of SmithKline Beecham Corporation and its subsidiaries.

This notification relates to a transaction notified in accordance with Disclosure Rule 3.1.4R(1)(b).

S M Bicknell
Company Secretary

9 January 2007

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

GlaxoSmithKline plc
(Registrant)

Date: January 9, 2007

By: VICTORIA WHYTE

Victoria Whyte
Authorised Signatory for and on
behalf of GlaxoSmithKline plc

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For period ending January 9, 2007

GlaxoSmithKline plc

(Name of registrant)

980 Great West Road, Brentford, Middlesex, TW8 9GS
(Address of principal executive offices)

Indicate by check mark whether the registrant files or
will file annual reports under cover Form 20-F
or Form 40-F

Form 20-F x Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No x

Notification of Transactions of Directors, Persons Discharging Managerial Responsibility or Connected Persons

I give below details of changes in the interests of Directors, Persons Discharging Managerial Responsibility or Connected Persons in the Ordinary Shares of GlaxoSmithKline plc.

8 January 2007	Abacus (GSK) Trustees Limited, as trustee of the GlaxoSmithKline Employee Trust, ("the GSK Trust"), transferred 10,800 Ordinary Shares in the Company to participants in the SmithKline Beecham Employee Share Option Plan 1991.
8 January 2007	The GSK Trust sold 1,565 Ordinary Shares in the Company on behalf of participants in the GlaxoSmithKline Share Value Plan at a price of GBP 13.72 per share.
8 January 2007	The GSK Trust transferred 4,135 Ordinary Shares in the Company to participants in the GlaxoSmithKline Share Value Plan.

The Company was advised of these transactions on 9 January 2007.

The GSK Trust is a discretionary trust of which all employees or former employees of GlaxoSmithKline plc and its subsidiaries are potential beneficiaries. Three of the Company's directors, Dr J-P Garnier, Dr M M Slaoui and Mr J S Heslop are therefore interested in the shares held in the GSK Trust from time to time in the same way as other employees or former employees of GlaxoSmithKline plc and its subsidiaries.

This notification relates to a transaction notified in accordance with Disclosure Rule 3.1.4R(1)(b).

S M Bicknell

Company Secretary

9 January 2007

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

GlaxoSmithKline plc
(Registrant)

Date: January 9, 2007

By: VICTORIA WHYTE
Victoria Whyte
Authorised Signatory for and on
behalf of GlaxoSmithKline plc

EXHIBIT 6

-----BEGIN PRIVACY-ENHANCED MESSAGE-----
Proc-Type: 2001,MIC-CLEAR
Originator-Name: webmaster@www.sec.gov
Originator-Key-Asymmetric:
MFgwCgYEVQgBAQICAf8DSgAwRwJAW2sNKK9AVtBzYZmr6aGjlWyK3XmZv3dTINen
TWSM7vrzLADbmYQaionwg5sDW3P6oaM5D3tdezXMm7z1T+B+twIDAQAB
MIC-Info: RSA-MD5,RSA,
Lm6jHppO2kdPPw0n+mfcQ0YDwTtYL0AA7YVXFzvC0ZKySz6/rrmtKGRtgy+RzjFg
jshtuHfTJX/ikFhdvjVC1Q==

<SEC-DOCUMENT>0001191638-07-000410.txt : 20070213
<SEC-HEADER>0001191638-07-000410.hdr.sgml : 20070213
<ACCEPTANCE-DATETIME>20070213132505
ACCESSION NUMBER: 0001191638-07-000410
CONFORMED SUBMISSION TYPE: 6-K
PUBLIC DOCUMENT COUNT: 1
CONFORMED PERIOD OF REPORT: 20070213
FILED AS OF DATE: 20070213
DATE AS OF CHANGE: 20070213

FILER:

COMPANY DATA:
COMPANY CONFORMED NAME: GLAXOSMITHKLINE PLC
CENTRAL INDEX KEY: 0001131399
STANDARD INDUSTRIAL CLASSIFICATION: PHARMACEUTICAL PREPARATIONS [2834]
IRS NUMBER: 000000000

FILING VALUES:
FORM TYPE: 6-K
SEC ACT: 1934 Act
SEC FILE NUMBER: 001-15170
FILM NUMBER: 07607849

BUSINESS ADDRESS:
STREET 1: 980 GREAT WEST ROAD
CITY: BRENTFORD MIDDLESEX
STATE: X0
ZIP: TW8 9GS
BUSINESS PHONE: 011442080475000

MAIL ADDRESS:
STREET 1: 980 GREAT WEST ROAD
CITY: BRENTFORD MIDDLESEX
STATE: X0
ZIP: TW8 9GS
</SEC-HEADER>
<DOCUMENT>
<TYPE>6-K
<SEQUENCE>1
<FILENAME>gsk200702136k4.txt
<DESCRIPTION>DIRECTOR/PDMR SHAREHOLDING
<TEXT>

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For period ending February 13, 2007

GlaxoSmithKline plc
(Name of registrant)

980 Great West Road, Brentford, Middlesex, TW8 9GS
(Address of principal executive offices)

Indicate by check mark whether the registrant files or
will file annual reports under cover Form 20-F
or Form 40-F

Form 20-F x Form 40-F
--

Indicate by check mark whether the registrant by furnishing the
information contained in this Form is also thereby furnishing the
information to the Commission pursuant to Rule 12g3-2(b) under the
Securities Exchange Act of 1934.

Yes No x
--

Notification of Transactions of Directors, Persons Discharging Managerial
Responsibility or Connected Persons

I give below details of changes in interests in the Ordinary shares and American Depositary Shares (ADSs) of GlaxoSmithKline plc in respect of the under-mentioned Directors and Persons Discharging Managerial Responsibility:-

Dr J-P Garnier	Sale of 17,411 Ordinary Share ADRs on 13 February 2007 at a price of $57.37 per ADR. Following this transaction Dr Garnier's total shareholding in the Company remains equivalent to more than 17 times his annual basic salary.
Mr R Bondy	Exercise on 13 February 2007 of 3,620 SmithKline Beecham UK Senior Executive Bonus Investment Rights granted on 20 March 2000 under the SmithKline Beecham Bonus Investment Plan. Sale of 1,466 shares at a price of GBP14.65 per share. Mr Bondy is retaining the 2,154 remaining shares resulting from this exercise.

The Company was advised of these transactions on 13 February 2007.

Mr J Clarke	Exercise of nil-price options on 12 February 2007 over 8,103

Ordinary shares granted on 13 February 2003 under the SmithKline Beecham Mid-Term Incentive Plan ("the MTIP"), resulting from the deferral of an award made under the MTIP on 24 November 1999.

Sale of 3,323 Ordinary shares at a price of GBP14.63 per share. Mr Clarke is retaining the 4,780 remaining shares resulting from this exercise.

The Company was advised of these transactions on 12 February 2007.

This notification is in accordance with Disclosure Rules 3.1.4R(1)(a) and 3.1.4R (1)(b).

S M Bicknell
Company Secretary

13 February 2007

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

GlaxoSmithKline plc
(Registrant)

Date: February 13, 2007

By: VICTORIA WHYTE

Victoria Whyte
Authorised Signatory for and on behalf of GlaxoSmithKline plc

</TEXT>
</DOCUMENT>
</SEC-DOCUMENT>
-----END PRIVACY-ENHANCED MESSAGE-----

EXHIBIT 7

GLAXOSMITHKLINE PLC (GSK)

980 GREAT WEST ROAD
BRENTFORD MIDDLESEX, X0 TW8 9GS
011442080475

6-K

FORM 6-K
Filed on 02/08/2007 - Period: 02/08/2007
File Number 001-15170

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 6-K

Report of Foreign Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934
For the period ending 8th February 2007

GlaxoSmithKline plc

(Name of registrant)
980 Great West Road,
Brentford,
Middlesex, TW8 9GS
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F

Form 20-F ☑ Form 40-F ☐

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ☐ No ☑

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-104121) OF GLAXOSMITHKLINE PLC, GLAXOSMITHKLINE CAPITAL INC. AND GLAXOSMITHKLINE CAPITAL PLC AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

Issued: 8th February 2007, **London**

Preliminary Results Announcement for the year ended 31st December 2006

GSK delivers strong 2006 performance with full year EPS up 19% CER (16% reported)

GlaxoSmithKline plc (GSK) today announces its unaudited results for the year ended 31st December 2006. The full results are presented under 'Income Statement' on pages 7 and 8, and are summarised below.

FINANCIAL RESULTS*

	2006 £m	2005 £m	Growth CER%	Growth £%	Q4 2006 £m	Q4 2005 £m	Growth CER%	Growth £%
Turnover	**23,225**	21,660	**9**	**7**	**5,959**	5,907	**9**	**1**
Operating profit	**7,808**	6,874	**17**	**14**	**1,700**	1,633	**19**	**4**
Profit before tax	**7,799**	6,732	**19**	**16**	**1,710**	1,606	**22**	**6**
Earnings per share	**95.5p**	82.6p	**19**	**16**	**21.0p**	19.8p	**22**	**6**

SUMMARY*

- **Group turnover up 9% to £23.2 billion, driven by strong US pharmaceuticals performance, up 16%; resulting in 2006 EPS up 19% in CER terms**
- **Pharmaceuticals sales also up 9% to £20.1 billion, with strong growth from all major products:**
  - *Seretide/Advair* +11% to £3.3 billion
  - *Avandia* product group +25% to £1.6 billion
  - Vaccines +23% to £1.7 billion
  - *Lamictal* +19% to £996 million
  - *Valtrex* +24% to £845 million
  - *Coreg* +38% to £779 million
- **Consumer Healthcare sales up 6% to £3.1 billion; strong Q4 performance with sales up 9%**
- **Significant late-stage pipeline progress:**
  - 4 NCEs, 3 new vaccines and 3 in-licensed assets: *HuMax-CD20* (oncology), *gepirone ER* and XP13512 (CNS disorders) entered late-stage development in the last 12 months
  - 31 key product opportunities now in phase III/registration (13 NCEs, 6 vaccines, 12 PLEs)
- **5 major new pharmaceutical product launches expected in 2007:**
  - *Tykerb* — new oral treatment for breast cancer
  - *Cervarix* (Europe & International) — a vaccine to prevent cervical cancer (US filing by April)
  - *Allermist/Avamys* — new treatment for allergic rhinitis
  - *Coreg CR* — a once daily treatment for three cardiovascular conditions
  - *Treximа* — new treatment for migraine
- **2006 dividend of 48p (vs 44p in 2005)**
- **2007 EPS growth expected to be 8% to 10% in CER terms — driven by continued growth from key products and improvements in margin.**

Commenting on the 2006 performance and GSK's outlook, JP Garnier, Chief Executive Officer, said:

"GSK continues to make progress on all fronts. Sales growth is coming from an ever widening portfolio of fast-growing products, and sustained improvements in margin have enabled us to deliver a strong financial performance, with EPS up 19% in CER terms. We also have very healthy momentum in our pipeline, with 10 new products added to our late-stage development efforts in the last 12 months. We now have over 30 significant product opportunities in phase III development or registration, including five major new products planned for launch this year. For all these reasons, we look to the future with confidence."

The Group's practice is to discuss its results in terms of constant exchange rate (CER) growth. All commentaries compare 2006 results with 2005 in CER terms unless otherwise stated. See 'Accounting Presentation and Policies' on page 22.

PHARMACEUTICAL UPDATE

Total pharmaceutical turnover grew 9% to £20.1 billion

A strong sales performance in the **USA**, up 16% to £10.4 billion helped drive total pharmaceutical turnover growth of 9% in 2006. Sales in **Europe** grew 1%, to over £5.5 billion, with strong sales from *Seretide*, *Avandia/Avandamet* and vaccines offsetting the impact of generic competition to *Lamictal*, *Imigran* and *Zofran*, and continued price cuts. **International** region sales grew 6% to £4.2 billion, with sales in Japan up 8% to £860 million.

***Seretide/Advair* sales over £3.3 billion; TORCH data publication in H1 2007**

Total sales of ***Seretide/Advair***, for asthma and COPD, rose 11% to £3.3 billion. In the USA, sales grew 13% to £1.9 billion. In Europe, sales grew 10% to £1.1 billion and in International markets, sales grew 9% to over £300 million. GSK expects the positive results from TORCH, a COPD mortality study recently filed with regulators, to be published in a leading medical journal during the first half of 2007.

***Avandia* product group sales over £1.6 billion with strong growth across all regions**

Sales of ***Avandia*** products, for the treatment of type 2 diabetes, grew 24% to £1.2 billion in the USA. In Europe, sales grew 40% to £217 million driven by the increasing use of ***Avandamet***. Sales in International markets rose 19% to £234 million.

In December, GSK presented data from the landmark ADOPT study, which demonstrated that *Avandia* is more effective than metformin, or a sulphonylurea, in long-term blood sugar control in type 2 diabetes. These data are in addition to those recently presented from the DREAM study, which showed that *Avandia* can reduce the risk of progression to type 2 diabetes. Data from both these studies are expected to be filed with regulatory agencies during the first half of 2007.

Strong 2006 for vaccines with new products driving sales up 23% to £1.7 billion

Overall vaccine sales increased 23% to £1.7 billion, with good performances from all regions: US sales rose 40% to £465 million; European sales grew 20% to £709 million and sales in International were up 13% to £518 million. Key contributors were: ***Infanrix/Pediarix***, GSK's combination vaccines for children, with sales up 29% to £511 million; and sales of hepatitis vaccines, which grew 9% to £479 million, benefiting from a strong US performance of ***Havrix***, following approval last year for broader paediatric use.

Sales of new vaccines also helped drive overall sales growth. Total sales of ***Rotarix***, for rotavirus, ***Boostrix***, for prevention of diphtheria, tetanus and whooping cough, and influenza vaccines, ***Fluarix/FluLaval***, reached £274 million, up 91%.

***Lamictal*, *Valtrex*, and *Coreg* — sales grew 26% to over £2.6 billion**

Sales of ***Lamictal***, for the treatment of epilepsy and bipolar disorder, grew 19% to just under £1 billion, benefiting from its new indication to treat one of the most serious forms of epilepsy — primary generalised tonic-clonic seizures. *Lamictal* is also the only medicine with long-term clinical data that demonstrates that it can delay the onset of depressive episodes of bipolar disorder. In November, GSK submitted ***Lamictal XR***, a new once daily treatment, with the FDA for treatment of epilepsy. The company intends to present data on *Lamictal XR* at the American Academy of Neurology meeting in April.

Sales of ***Valtrex***, for herpes, rose 24% to £845 million, with US sales up 30% to £600 million. Sales of ***Coreg***, for heart disease, grew strongly, up 38% to £779 million.

High potential products — *Avodart*, *Requip* and *Boniva* deliver combined sales of £579 million

Sales of ***Requip***, for Parkinson's disease/Restless Legs Syndrome (RLS), grew 74% to £268 million and, in December, the FDA accepted GSK's file for approval of ***Requip 14hr***. ***Avodart*** for benign prostatic hyperplasia (enlarged prostate), continued to perform strongly with sales up 69% to £216 million for the year. GSK's share of the co-promotion income for ***Boniva/Bonviva***, the only once-monthly medicine for post-menopausal osteoporosis, was £95 million.

Other products

Total sales of HIV products were £1.5 billion, down 1%. Competition to older products, ***Combivir*** (-9% to £528 million) and ***Epivir*** (-21% to £202 million), was partially offset by strong sales growth of new products ***Epzicom/Kivexa*** (>100% to £241 million) and ***Lexiva*** (+18% to £131 million).

Sales of ***Flonase*** fell 52% to £311 million, reflecting generic competition in the USA, which began in the first quarter of 2006.

Fourth quarter pharmaceutical sales up 8% to £5.1 billion

A strong fourth quarter performance was driven by US sales, up 15% to £2.6 billion, despite the introduction of generic competition to ***Wellbutrin XL*** 300mg tablet (approximately 60% of *Wellbutrin* sales) and ***Zofran***. Fourth quarter sales of *Wellbutrin XL* were up 9% to £187 million, compared with full year sales growth of 25% to £798 million. Fourth quarter sales of *Zofran* declined 19% to £165 million, compared with full year growth of 3% to £847 million. In Europe, total pharmaceutical sales grew 1% to over £1.4 billion and in International markets rose 3% to £1.1 billion.

PIPELINE UPDATE

GSK expects to launch 5 major new products in 2007:

***Tykerb* — US launch expected in H1 2007**

In December, landmark clinical trial data for *Tykerb* were published in the New England Journal of Medicine. Data from the study reported that *Tykerb* in combination with Xeloda, significantly improved the time to disease progression for patients with HER2 (ErbB2+) advanced breast cancer whose disease had progressed on Herceptin. In addition, the study authors concluded that further investigation into earlier use of *Tykerb* in the treatment of HER2 positive breast cancer is warranted.

Subject to regulatory approval, GSK plans to launch *Tykerb* in the USA during the first half of 2007 and in Europe in the second half of the year. Meanwhile, clinical development of *Tykerb* continues with seven phase III trials ongoing to assess the use of *Tykerb* in treatment of adjuvant and first-line metastatic breast cancer.

***Cervarix* — European/International launches expected in H2 2007; US filing by April**

GSK expects to launch Cervarix, a new vaccine to prevent cervical cancer, in European and International markets in the second half of 2007. The company remains on track to file for regulatory approval in the USA by April.

Earlier this year, GSK announced the initiation of the first head-to-head trial of *Cervarix* versus Gardasil, to compare the immune responses to HPV types 16 and 18 in US women 18 to 45 years old. Initial study results are anticipated in 2008.

***Allermist/Avamys* — US launch H1 2007; new phase III data to be presented at AAAAI**

Allermist/Avamys, a new intranasal steroid to treat the symptoms of seasonal allergic rhinitis and perennial allergic rhinitis, is expected to be launched in the first half of 2007. GSK will present new phase III data on the product at the annual meeting of the American Academy of Allergy, Asthma & Immunology (AAAAI) beginning on 23rd February.

***Coreg CR* — Launch in Q1 2007; new opportunity to simplify treatment**

Coreg CR is a new once-daily, long acting treatment for three cardiovascular conditions: hypertension, post-myocardial infarction left ventricular dysfunction and mild to severe heart failure. It represents a significant new opportunity to help simplify treatment for those patients taking multiple medications for heart conditions, in particular hypertension. The company intends to launch *Coreg CR* in the first quarter of 2007.

***Trexima* — New data submitted to FDA; launch expected H2 2007**

A full response to the FDA's recent request for additional information has now been submitted to the agency. Subject to regulatory approval, GSK expects to launch *Trexima*, for the treatment of migraine, in the second half of 2007.

Other important launches/filings

GSK also expects to launch several other important products during the year including, ***Arixtra*** to treat acute coronary syndromes (ACS); ***Altabax/Altargo***, for skin infections, and ***Entereg*** for the management of post-operative ileus.

The company plans to file several new products for approval with regulatory authorities in 2007, including two major vaccine opportunities: US filing of ***Rotarix***, and European filing of ***Synflorix*** (formerly *Streptorix*), a vaccine to prevent pneumococcal disease.

GSK also continues to progress development of vaccines for use before, and in the event of, a 'flu pandemic; and in January, submitted its **H5N1 vaccine** to European regulators for approval for pre-pandemic use.

Significant late-stage pipeline progress:

The company now has 31 major product opportunities in phase III development or registration, comprising 13 NCEs, 6 new vaccines and 12 product line extensions.

Major NCEs & vaccines (* entered late-stage in the last 12 months)

Phase III

- **ambrisentan** (pulmonary arterial hypertension)
- **belimumab*** (lupus)
- **casopitant*** (CINV and PONV)
- **pazopanib*** (renal cell cancer)
- **mepolizumab** (hypereosinophilic syndrome)
- ***Promacta*** * (ITP)
- **New generation 'flu vaccine***
- ***Globorix*** (Hep B, DTP, Hib and meningitis A+C)
- **meningitis (Hib-MenCY-TT) vaccine***
- ***Synflorix*** (pneumococcal disease)

Filed

- ***Allermist/Avamys*** (allergic rhinitis)
- ***Altabax/Altargo*** (skin infections)
- ***Entereg*** (POI)
- ***Tykerb*** (breast cancer)
- ***Cervarix*** (cervical cancer)
- **H5N1 pandemic vaccine***

New in-licensed assets

- ***HuMax-CD20****, a high affinity (fully human) monoclonal antibody in late-stage development for chronic lymphocytic leukaemia and follicular non-Hodgkin's lymphoma; and in phase II development for rheumatoid arthritis.
- ***Gepirone ER****, a 5HT1a agonist currently in pre-registration for the treatment of major depressive disorder (MDD). If approved, *gepirone ER* would be a first-in-class treatment for MDD, with a potentially better tolerability profile compared to current anti-depressant therapy.
- **XP13512***, a gabapentin prodrug, in phase III development for restless legs syndrome and phase II for treatment of neuropathic pain. In addition to a convenient dosing regimen, XP13512 could provide a new treatment option to patients for whom current therapy (dopaminergics) is not appropriate.

CONSUMER HEALTHCARE UPDATE

Sales up 6% to over £3.1 billion; portfolio to be enhanced with 10 product launches in 2007

Consumer Healthcare sales grew 6% to £3.1 billion, with sales in International (+10%) and Europe (+7%), performing well. Total sales in the USA were flat, with an improved performance seen in the fourth quarter, with sales up 7% to over £200 million.

- **Nutritional healthcare** products sales grew 7% to £658 million. ***Lucozade***, grew 14% to £301 million, and ***Horlicks***, grew 6% to £156 million. ***Ribena*** sales were down 1% to £169 million.

- **Oral care** sales grew 6% to £993 million. ***Sensodyne*** grew strongly, up 19% for the year to £257 million. Sales of ***Aquafresh*** were down 3% to £283 million.

- **Over-the-counter** medicine sales grew 5% to £1.5 billion with ***Panadol*** and Smoking Control performing well.

GSK's consumer brand portfolio will be strengthened further in 2007, with the launch of 10 products, including ***alli***, a new treatment for weight-loss in the USA. In addition, GSK has added two more brands — ***Breathe Right*** nasal strips and ***FiberChoice*** dietary fibre supplements — to its portfolio following the acquisition of CNS, Inc. which was completed in December 2006.

FINANCIAL REVIEW

These results have been prepared under International Financial Reporting Standards as adopted for use in the European Union (see 'Accounting Presentation and Policies' on page 22).

Operating profit and earnings per share — full year

Operating profit of £7,808 million for the year increased by 17% compared with 2005, and was above turnover growth of 9%, reflecting an improved cost of sales margin (despite higher restructuring costs), flat SG&A costs (including lower legal and restructuring charges), partially offset by an increase in R&D expenditure and lower other operating income. Excluding restructuring, R&D expenditure grew in line with turnover growth.

Consumer Healthcare operating profit was down 3%, compared with 2005, as a result of lower profit on product disposals. Excluding profit on disposals, Consumer Healthcare operating profit grew 4%.

In the year, gains from asset disposals were £169 million (£290 million in 2005), costs for legal matters were £333 million (£430 million in 2005), the fair value movements on the Quest collar and Theravance options resulted in income of £29 million (£19 million income in 2005) and charges related to restructuring programmes were £205 million (£141 million in 2005). The total operating profit impact of these items was a £340 million charge in 2006, compared with a £262 million charge in 2005.

Profit after taxation grew by 17%, which was level with the growth in operating profit, and reflected lower net interest costs, offset by a higher tax rate for the year.

EPS of 95.5 pence increased 19% in CER terms (16% in sterling terms) compared with 2005. The adverse currency impact of 3% on EPS reflected the strength of sterling against other major currencies.

Operating profit and earnings per share — Q4

Operating profit of £1,700 million for the quarter increased by 19% compared with Q4 last year, and was above turnover growth of 9%, primarily due to flat SG&A (including lower legal costs), lower growth in R&D and higher other operating income partly offset by a higher cost of sales margin. The cost of sales margin was primarily impacted by higher restructuring costs, asset impairments and currency, partly offset by favourable pricing.

In the quarter, gains from asset disposals were £3 million (£12 million in 2005), costs for legal matters were £81 million (£132 million in 2005), the fair value movements on the Quest collar and Theravance options resulted in income of £46 million (£4 million income in Q4 2005) and charges related to restructuring programmes were £132 million (£59 million in 2005). The total operating profit impact of these items was a £164 million charge in 2006, compared with a £175 million charge in Q4 2005.

Profit after taxation grew by 20% which was marginally higher than the growth in operating profit and reflected lower net interest costs compared with Q4 2005, largely offset by a higher tax rate.
EPS of 21.0 pence increased 22% in CER terms (6% in sterling terms) compared with Q4 2005. The adverse currency impact of 16% on EPS reflected the strength of sterling against the other major currencies.

Currencies

The 2006 results are based on average exchange rates, principally £1/$1.85, £1/Euro 1.47 and £1/Yen 215. The period-end exchange rates were £1/$1.96, £1/Euro 1.48 and £1/Yen 233. Average exchange rates for Q4 2006 were £1/$1.94, £1/Euro 1.50 and £1/Yen 227. If the US dollar and Euro exchange rates were to hold at the Q4 average level for 2007, the adverse currency impact on EPS growth for the full-year would be around 4%.

Dividend

The Board has declared a fourth interim dividend of 14 pence per share resulting in a dividend for the year of 48 pence, a four pence increase over the dividend of 44 pence per share for 2005. The equivalent interim dividend receivable by ADR holders is 55.1628 cents per ADS based on an exchange rate of £1/$1.9701. The dividend will have an ex-dividend date of 14th February 2007, a record date of 16th February 2007 and will be paid on 12th April 2007.

2007 earnings guidance

GSK expects 2007 EPS growth to be 8% to 10% in CER terms.

Share buy-back programme

GSK repurchased £1,348 million of shares in 2006, to be held as Treasury shares. The company completed its second £4 billion share repurchase programme in September, and in October commenced a new share buy-back programme totalling £6 billion. This programme is expected to be completed over a three year period including £2 billion in 2007. The exact amount and timing of future purchases, and the extent to which repurchased shares will be held as Treasury shares rather than being cancelled, will be determined by the company and is dependent on market conditions and other factors.

GlaxoSmithKline — one of the world's leading research-based pharmaceutical and healthcare companies — is committed to improving the quality of human life by enabling people to do more, feel better and live longer. For company information including a copy of this announcement and details of the company's updated product development pipeline, visit GSK at www.gsk.com.

Enquiries:	**UK Media**	Philip Thomson	(020) 8047 5502
		Alice Hunt	(020) 8047 5502
		Gwenan White	(020) 8047 5502
	US Media	Nancy Pekarek	(215) 751 7709
		Mary Anne Rhyne	(919) 483 2839
		Patricia Seif	(215) 751 7709
	European Analyst / Investor	Anita Kidgell	(020) 8047 5542
		David Mawdsley	(020) 8047 5564
		Sally Ferguson	(020) 8047 5543
	US Analyst / Investor	Frank Murdolo	(215) 751 7002
		Tom Curry	(215) 751 5419

Cautionary statement regarding forward-looking statements

Under the safe harbor provisions of the US Private Securities Litigation Reform Act of 1995, the company cautions investors that any forward-looking statements or projections made by the company, including those made in this Announcement, are subject to risks and uncertainties that may cause actual results to differ materially from those projected. Factors that may affect the Group's operations are described under 'Risk Factors' in the 'Operating and Financial Review and Prospects' in the company's Annual Report 2005.

INCOME STATEMENT
Year ended 31st December 2006

	2006 £m	Growth CER%	2005 £m
Turnover:			
Pharmaceuticals	20,078	9	18,661
Consumer Healthcare	3,147	6	2,999
TURNOVER	23,225	9	21,660
Cost of sales	(5,010)	6	(4,764)
Gross profit	18,215	9	16,896
Selling, general and administration	(7,257)	—	(7,250)
Research and development	(3,457)	11	(3,136)
Other operating income	307		364
Operating profit:			
Pharmaceuticals	7,125	19	6,159
Consumer Healthcare	683	(3)	715
OPERATING PROFIT	7,808	17	6,874
Finance income	287		257
Finance expense	(352)		(451)
Share of after tax profits of associates and joint ventures	56		52
PROFIT BEFORE TAXATION	7,799	19	6,732
Taxation (includes overseas tax of £1,912 million (2005: £1,826 million))	(2,301)		(1,916)
Tax rate %	*29.5%*		*28.5%*
PROFIT AFTER TAXATION FOR THE YEAR	5,498	17	4,816
Profit attributable to minority interests	109		127
Profit attributable to shareholders	5,389		4,689
	5,498		4,816
EARNINGS PER SHARE	95.5p	19	82.6p
Diluted earnings per share	94.5p		82.0p

A fourth interim dividend of 14 pence per share has been declared, making a total of 48 pence per share for the year (2005: 44 pence per share). The total expected to be absorbed by these dividends is approximately £2,695 million (2005: £2,494 million). See 'Dividends' on page 14.

INCOME STATEMENT
Three months ended 31st December 2006

	Q4 2006 £m	Growth CER%	Q4 2005 £m
Turnover:			
Pharmaceuticals	5,136	8	5,108
Consumer Healthcare	823	9	799
TURNOVER	5,959	9	5,907
Cost of sales	(1,445)	15	(1,298)
Gross profit	4,514	7	4,609
Selling, general and administration	(1,934)	—	(2,040)
Research and development	(980)	6	(968)
Other operating income	100		32
Operating profit:			
Pharmaceuticals	1,501	21	1,440
Consumer Healthcare	199	8	193
OPERATING PROFIT	1,700	19	1,633
Finance income	83		85
Finance expense	(86)		(125)
Share of after tax profits of associates and joint ventures	13		13
PROFIT BEFORE TAXATION	1,710	22	1,606
Taxation	(505)		(455)
Tax rate %	*29.5%*		*28.3%*
PROFIT AFTER TAXATION FOR THE PERIOD	1,205	20	1,151
Profit attributable to minority interests	24		29
Profit attributable to shareholders	1,181		1,122
	1,205		1,151
EARNINGS PER SHARE	21.0p	22	19.8p
Diluted earnings per share	20.8p		19.6p

PHARMACEUTICAL TURNOVER
Year ended 31st December 2006

	Total		USA		Europe		International	
	£m	CER%	£m	CER%	£m	CER%	£m	CER%
RESPIRATORY	**4,995**	**—**	**2,461**	**(3)**	**1,697**	**3**	**837**	**4**
Seretide/Advair	3,313	11	1,870	13	1,133	10	310	9
Flixotide/Flovent	659	5	298	16	173	(8)	188	2
Serevent	291	(10)	86	(16)	140	(13)	65	5
Flixonase/Flonase	311	(52)	184	(63)	51	(15)	76	(14)
CENTRAL NERVOUS SYSTEM	**3,642**	**15**	**2,588**	**28**	**595**	**(15)**	**459**	**2**
Seroxat/Paxil	620	4	175	35	149	(20)	296	5
Paxil IR	448	(5)	19	11	149	(20)	280	4
Paxil CR	172	37	156	38	—	—	16	25
Wellbutrin	900	24	882	24	2	—	16	7
Wellbutrin IR, SR	102	12	89	14	2	—	11	—
Wellbutrin XL	798	25	793	25	—	—	5	25
Imigran/Imitrex	711	3	551	11	118	(18)	42	(12)
Lamictal	996	19	765	37	175	(22)	56	2
Requip	268	74	176	>100	81	21	11	25
ANTI-VIRALS	**2,827**	**10**	**1,354**	**7**	**855**	**11**	**618**	**16**
HIV	**1,515**	**(1)**	**700**	**(7)**	**621**	**3**	**194**	**8**
Combivir	528	(9)	238	(14)	217	(4)	73	—
Trizivir	268	(11)	141	(13)	113	(7)	14	(7)
Epivir	202	(21)	69	(25)	90	(26)	43	(2)
Ziagen	117	(13)	48	(11)	41	(24)	28	4
Agenerase, Lexiva	131	18	74	7	48	40	9	14
Epzicom/Kivexa	241	>100	125	49	97	>100	19	>100
Herpes	**965**	**19**	**610**	**30**	**144**	**4**	**211**	**3**
Valtrex	845	24	600	30	109	12	136	10
Zovirax	120	(6)	10	67	35	(15)	75	(7)
Zeffix	162	12	13	8	23	10	126	13
Relenza	91	>100	—	—	62	>100	29	>100
METABOLIC	**1,875**	**27**	**1,277**	**30**	**252**	**33**	**346**	**12**
Avandia	1,399	23	1,068	26	125	13	206	13
Avandamet	204	17	86	(22)	92	>100	26	41
Avandaryl	42	—	40	—	—	—	2	—
Bonviva/Boniva	95	>100	83	>100	12	>100	—	—
VACCINES	**1,692**	**23**	**465**	**40**	**709**	**20**	**518**	**13**
Hepatitis	479	9	161	21	227	2	91	8
Influenza	170	60	91	>100	36	—	43	27
Infanrix/Pediarix	511	29	172	20	281	40	58	12
Boostrix	60	>100	41	>100	15	88	4	67
CARDIOVASCULAR AND UROGENITAL	**1,636**	**24**	**1,072**	**42**	**395**	**(4)**	**169**	**13**
Coreg	779	38	773	38	—	—	6	20
Levitra	43	8	41	20	1	(75)	1	(100)
Avodart	216	69	131	>100	69	25	16	67
Arixtra	58	>100	32	>100	23	>100	3	>100
Fraxiparine	209	(1)	—	—	179	—	30	(6)
ANTI-BACTERIALS	**1,369**	**(9)**	**217**	**(15)**	**628**	**(12)**	**524**	**(2)**
Augmentin	570	(14)	94	(31)	268	(15)	208	—
Zinnat/Ceftin	164	(16)	12	20	82	(27)	70	(5)
ONCOLOGY AND EMESIS	**1,069**	**7**	**836**	**12**	**153**	**(7)**	**80**	**(11)**
Zofran	847	3	679	8	107	(14)	61	(16)
Hycamtin	113	15	72	11	34	26	7	17
OTHER	**973**	**(5)**	**83**	**19**	**263**	**(19)**	**627**	**(1)**
Zantac	232	(2)	72	28	52	(19)	108	(7)
	20,078	**9**	**10,353**	**16**	**5,547**	**1**	**4,178**	**6**

Pharmaceutical turnover includes co-promotion income.

PHARMACEUTICAL TURNOVER
Three months ended 31st December 2006

	Total		USA		Europe		International	
	£m	CER%	£m	CER%	£m	CER%	£m	CER%
RESPIRATORY	**1,269**	**(3)**	**616**	**(7)**	**433**	**1**	**220**	**–**
Seretide/Advair	862	9	493	11	293	8	76	1
Flixotide/Flovent	172	7	79	22	42	(12)	51	4
Serevent	74	(9)	22	(17)	33	(13)	19	11
Flixonase/Flonase	48	(69)	17	(85)	11	(15)	20	(8)
CENTRAL NERVOUS SYSTEM	**915**	**13**	**660**	**25**	**137**	**(17)**	**118**	**(3)**
Seroxat/Paxil	163	11	49	72	35	(10)	79	(1)
Paxil IR	113	—	3	—	35	(10)	75	—
Paxil CR	50	50	46	59	—	—	4	(25)
Wellbutrin	212	9	208	10	—	—	4	(25)
Wellbutrin IR, SR	25	13	22	25	—	—	3	(33)
Wellbutrin XL	187	9	186	9	—	—	1	—
Imigran/Imitrex	174	2	138	12	25	(34)	11	—
Lamictal	257	23	204	39	39	(22)	14	—
Requip	76	62	52	97	21	16	3	—
ANTI-VIRALS	**706**	**9**	**333**	**8**	**210**	**11**	**163**	**11**
HIV	**360**	**(5)**	**168**	**(7)**	**146**	**(3)**	**46**	**2**
Combivir	119	(14)	56	(15)	48	(9)	15	(20)
Trizivir	61	(14)	32	(16)	25	(13)	4	—
Epivir	43	(24)	15	(23)	18	(34)	10	—
Ziagen	28	(12)	12	(7)	10	(9)	6	(22)
Agenerase, Lexiva	34	12	19	5	12	18	3	50
Epzicom/Kivexa	69	66	33	29	29	100	7	>100
Herpes	**242**	**18**	**154**	**30**	**36**	**9**	**52**	**(5)**
Valtrex	212	23	150	28	27	17	35	6
Zovirax	30	(9)	4	>100	9	(10)	17	(22)
Zeffix	42	5	3	33	6	—	33	3
Relenza	37	>100	—	—	22	>100	15	>100
METABOLIC	**474**	**34**	**321**	**45**	**69**	**27**	**84**	**7**
Avandia	324	25	246	32	30	7	48	4
Avandamet	68	54	32	40	27	75	9	60
Avandaryl	14	—	14	—	—	—	—	—
Bonviva/Boniva	34	>100	29	>100	5	—	—	—
VACCINES	**527**	**31**	**162**	**84**	**200**	**20**	**165**	**10**
Hepatitis	128	19	43	38	60	11	25	8
Influenza	107	>100	59	>100	23	(12)	25	>100
Infanrix/Pediarix	136	29	47	37	72	36	17	(11)
Boostrix	18	73	13	63	5	67	—	—
CARDIOVASCULAR AND UROGENITAL	**421**	**25**	**281**	**44**	**101**	**(1)**	**39**	**(9)**
Coreg	199	39	198	39	—	—	1	—
Levitra	12	30	12	44	—	—	—	—
Avodart	61	67	36	95	19	27	6	67
Arixtra	21	>100	12	>100	7	>100	2	—
Fraxiparine	53	(2)	—	—	44	(4)	9	11
ANTI-BACTERIALS	**354**	**(8)**	**57**	**(15)**	**164**	**(9)**	**133**	**(3)**
Augmentin	145	(11)	25	(20)	67	(15)	53	2
Zinnat/Ceftin	42	(19)	3	—	22	(24)	17	(14)
ONCOLOGY AND EMESIS	**213**	**(11)**	**162**	**(10)**	**33**	**(15)**	**18**	**(20)**
Zofran	165	(19)	130	(16)	21	(30)	14	(25)
Hycamtin	28	20	18	18	8	50	2	(50)
OTHER	**257**	**2**	**18**	**5**	**80**	**(7)**	**159**	**6**
Zantac	55	(5)	16	12	13	(24)	26	(3)
	5,136	**8**	**2,610**	**15**	**1,427**	**1**	**1,099**	**3**

Pharmaceutical turnover includes co-promotion income.

CONSUMER HEALTHCARE TURNOVER
Year ended 31st December 2006

	2006 £m	Growth CER%
Over-the-counter medicines	**1,496**	**5**
Analgesics	380	7
Dermatological	165	4
Gastrointestinal	252	2
Respiratory tract	172	12
Smoking control	353	7
Natural wellness support	132	—
Oral care	**993**	**6**
Nutritional healthcare	**658**	**7**
Total	**3,147**	**6**

CONSUMER HEALTHCARE TURNOVER
Three months ended 31st December 2006

	Q4 2006 £m	Growth CER%
Over-the-counter medicines	**409**	**9**
Analgesics	95	9
Dermatological	43	15
Gastrointestinal	63	3
Respiratory tract	54	8
Smoking control	103	18
Natural wellness support	38	11
Oral care	**258**	**10**
Nutritional healthcare	**156**	**5**
Total	**823**	**9**

Operating profit

	2006		2005		Growth	
	£m	% of turnover	£m	% of turnover	CER%	£%
Turnover	**23,225**	**100.0**	21,660	100.0	9	7
Cost of sales	**(5,010)**	**(21.6)**	(4,764)	(22.0)	6	5
Selling, general and administration	**(7,257)**	**(31.2)**	(7,250)	(33.5)	—	—
Research and development	**(3,457)**	**(14.9)**	(3,136)	(14.5)	11	10
Other operating income	**307**	**1.3**	364	1.7		
Operating profit	**7,808**	**33.6**	6,874	31.7	17	14

Overall, the operating margin increased 1.9 percentage points as sterling operating profit increased 14% on a sterling turnover growth of 7% reflecting lower growth in cost of sales and flat SG&A costs, partially offset by an increase in R&D expenditure and lower other operating income.

Cost of sales declined as a percentage of turnover by 0.4 percentage points, reflecting favourable price and regional mix.

SG&A costs were level with 2005 benefiting from lower legal charges and restructuring costs. Excluding these items SG&A costs grew 3% reflecting the continuing benefits of cost saving programmes.

R&D expenditure increased 11% partly as a result of higher charges related to restructuring programmes. Excluding restructuring costs R&D grew 8%. Pharmaceuticals R&D expenditure excluding restructuring costs represented 16.2% (2005: 16.2%) of pharmaceutical turnover.

Other operating income includes royalty income, equity investment disposals and impairments, product disposals and fair value adjustments to the Quest collar and Theravance options. Other operating income was £307 million in 2006 compared with £364 million in 2005. The decrease is primarily due to lower product and asset disposal profits partially offset by the favourable fair value movement to the Quest collar and Theravance options.

Taxation

The charge for taxation on profit amounting to £2,301 million, represents an effective tax rate of 29.5%, (2005 — 28.5%). The Group balance sheet at 31st December 2006 included a tax payable liability of £621 million and a tax recoverable asset of £186 million.

As reported last year, GSK's largest unresolved tax issues were with the US Internal Revenue Service (IRS) and UK HM Revenue and Customs (HMRC) in respect of transfer prices related to the Glaxo heritage products.

On 11th September 2006, GSK and the IRS agreed to a resolution of their dispute. Under the agreement, GSK has made gross payments to the IRS of approximately $3.3 billion. The final net cash cost to the Group is approximately $3.1 billion, which covers federal, state and local taxes, interest and the benefit of tax relief on the payments made. The settlement resolved all the transfer pricing issues in dispute for the period 1989 — 2000, which were due to go to trial in February 2007, and also covers the subsequent years 2001 — 2005. GSK had previously made provision for the dispute and this settlement did not have any significant impact on the company s reported earnings or tax rate for the year.

GSK continues to be in dispute with HMRC primarily in respect of transfer pricing and Controlled Foreign Companies legislation matters for the years 1994 to date and the parties are now preparing for litigation. HMRC has not formally quantified its claims in respect of these matters but there continues to be a wide difference between the Group and HMRC positions on these matters.

GSK has open issues in Japan and Canada, which were the subject of court proceedings in 2006. In Japan the tax authorities are claiming approximately Yen 39 billion (£169 million) in respect of transactions in 1998. GSK has paid the tax claimed, as required by law, and applied for a refund. A court decision is expected in late March 2007. A court decision in the Group's dispute with the Canadian Revenue Authority over the pricing of *Zantac* in the years 1989 — 1993 is expected in the first half of 2007.

GSK uses the best advice in determining its transfer pricing methodology and in seeking to manage transfer pricing issues to a satisfactory conclusion and, on the basis of external professional advice, continues to believe that it has made adequate provision for the liabilities likely to arise from open assessments. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of litigation proceedings and negotiations with the relevant tax authorities.

Weighted average number of shares

	2006 millions	2005 millions
Weighted average number of shares — basic	**5,643**	5,674
Dilutive effect of share options and share awards	**57**	46
Weighted average number of shares — diluted	**5,700**	5,720

	Q4 2006 millions	Q4 2005 millions
Weighted average number of shares — basic	**5,618**	5,657
Dilutive effect of share options and share awards	**51**	53
Weighted average number of shares — diluted	**5,669**	5,710

The number of shares in issue, excluding those held by the ESOP Trusts and those held as Treasury shares at 31st December 2006, was 5,603 million (31st December 2005: 5,653 million).

Dividends

	Paid/ payable	Pence per share	£m
2006			
First interim	6th July 2006	11	619
Second interim	5th October 2006	11	620
Third interim	4th January 2007	12	671
Fourth interim	12th April 2007	14	785
		48	2,695
2005			
First interim	7th July 2005	10	568
Second interim	6th October 2005	10	567
Third interim	5th January 2006	10	568
Fourth interim	6th April 2006	14	791
		44	2,494

The liability for an interim dividend is only recognised when it is paid, which is usually after the accounting period to which it relates. The 2006 financial statements recognise the dividends paid in 2006, namely the third and fourth interim dividends for 2005 and the first and second interim dividends for 2006, which total £2,598 million (2005: £2,390 million).

STATEMENT OF RECOGNISED INCOME AND EXPENSE

	2006 £m	2005 £m
Exchange movements on overseas net assets	**(390)**	203
Tax on exchange movements	**(78)**	99
Fair value movements on available-for-sale investments	**84**	(1)
Deferred tax on fair value movements on available-for-sale investments	**(15)**	(10)
Exchange movements on goodwill in reserves	**31**	9
Actuarial gains/(losses) on defined benefit plans	**429**	(794)
Deferred tax on actuarial movements in defined benefit plans	**(161)**	257
Fair value movements on cash flow hedges	**(5)**	(4)
Deferred tax on fair value movements on cash flow hedges	**2**	1
Net losses recognised directly in equity	**(103)**	(240)
Profit for the year	**5,498**	**4,816**
Total recognised income and expense for the year	**5,395**	4,576
Total recognised income and expense for the year attributable to:		
Shareholders	**5,307**	4,423
Minority interests	**88**	153
	5,395	4,576

BALANCE SHEET

	31st December 2006 £m	31st December 2005 £m
ASSETS		
Non-current assets		
Property, plant and equipment	6,930	6,652
Goodwill	758	696
Other intangible assets	3,293	3,383
Investments in associates and joint ventures	295	276
Other investments	441	362
Deferred tax assets	2,123	2,214
Other non-current assets	721	438
Total non-current assets	14,561	14,021
Current assets		
Inventories	2,437	2,177
Current tax recoverable	186	416
Trade and other receivables	5,317	5,348
Liquid investments	1,035	1,025
Cash and cash equivalents	2,005	4,209
Assets held for sale	12	2
Total current assets	10,992	13,177
TOTAL ASSETS	25,553	27,198
LIABILITIES		
Current liabilities		
Short-term borrowings	(718)	(1,200)
Trade and other payables	(4,871)	(5,147)
Current tax payable	(621)	(2,269)
Short-term provisions	(1,055)	(895)
Total current liabilities	(7,265)	(9,511)
Non-current liabilities		
Long-term borrowings	(4,772)	(5,271)
Deferred tax provision	(595)	(569)
Pensions and other post-employment benefits	(2,339)	(3,069)
Other provisions	(528)	(741)
Other non-current liabilities	(406)	(467)
Total non-current liabilities	(8,640)	(10,117)
TOTAL LIABILITIES	(15,905)	(19,628)
NET ASSETS	9,648	7,570
EQUITY		
Share capital	1,498	1,491
Share premium account	858	549
Other reserves	65	(308)
Retained earnings	6,965	5,579
Shareholders' equity	9,386	7,311
Minority interests	262	259
TOTAL EQUITY	9,648	7,570

RECONCILIATION OF MOVEMENTS IN EQUITY

	2006 £m	2005 £m
Total equity at beginning of year	7,570	5,925
Total recognised income and expense for the year	5,395	4,576
Dividends to shareholders	(2,598)	(2,390)
Shares issued	316	252
Shares purchased and held as Treasury shares	(1,348)	(1,000)
Consideration received for shares transferred by ESOP Trusts	151	68
Share-based incentive plans	226	240
Tax on share-based incentive plans	21	25
Changes in minority interest shareholdings	2	(40)
Distributions to minority shareholders	(87)	(86)
Total equity at end of year	9,648	7,570

FINANCIAL REVIEW — BALANCE SHEET

Net assets

The book value of net assets increased by £2,078 million from £7,570 million at 31st December 2005 to £9,648 million at 31st December 2006. Net debt increased and the overall tax creditor position decreased following the gross payment of $3.3 billion (£1.8 billion) under the transfer pricing dispute settlement with the US Internal Revenue Service (see 'Taxation' on page 13). The pension and other post-employment liabilities decreased following improvements in asset values, further special contributions to the UK and US pension funds and a strengthening of long-term interest rates, including an increase in the rate used to discount UK pension liabilities from 4.75% to 5.0%. The carrying value of investments in associates and joint ventures at 31st December 2006 was £295 million, with a market value of £1,020 million.

Equity

At 31st December 2006, total equity had increased from £7,570 million at 31st December 2005 to £9,648 million. The increase arises principally from retained earnings and actuarial gains on defined benefit pension plans in the year partially offset by further purchases of Treasury shares. At 31st December 2006, the ESOP Trusts held 153.5 million GSK shares against the future exercise of share options and share awards. The carrying value of £1,999 million has been deducted from other reserves. The market value of these shares was £2,062 million. At 31st December 2006, GSK also held 235.5 million shares as Treasury shares, at a cost of £3,147 million, which has been deducted from retained earnings.

CASH FLOW STATEMENT
Year ended 31st December 2006

	2006 £m	2005 £m
Profit after tax	5,498	4,816
Tax on profits	2,301	1,916
Share of after tax profits of associates and joint ventures	(56)	(52)
Finance income/expense	65	194
Depreciation and other non-cash items	1,138	1,103
Increase in working capital	(471)	(323)
(Decrease)/increase in other net liabilities	(272)	11
Cash generated from operations	8,203	7,665
Taxation paid	(3,846)	(1,707)
Net cash inflow from operating activities	4,357	5,958
Cash flow from investing activities		
Purchase of property, plant and equipment	(1,366)	(903)
Proceeds from sale of property, plant and equipment	43	54
Purchase of intangible assets	(224)	(278)
Proceeds from sale of intangible assets	175	221
Purchase of equity investments	(57)	(23)
Proceeds from sale of equity investments	32	35
Share transactions with minority shareholders	(157)	(36)
Purchase of businesses, net of cash acquired	(273)	(1,026)
Disposals of businesses and interests in associates	5	(2)
Investment in associates and joint ventures	(13)	(2)
Interest received	299	290
Dividends from associates and joint ventures	15	10
Net cash outflow from investing activities	(1,521)	(1,660)
Cash flow from financing activities		
(Increase)/decrease in liquid investments	(55)	550
Proceeds from own shares for employee share options	151	68
Issue of share capital	316	252
Purchase of Treasury shares	(1,348)	(999)
Increase in long-term loans	—	982
Repayment of long-term loans	—	(70)
Net repayment of short-term loans	(739)	(857)
Net repayment of obligations under finance leases	(34)	(36)
Interest paid	(414)	(381)
Dividends paid to shareholders	(2,598)	(2,390)
Dividends paid to minority interests	(87)	(86)
Other financing cash flows	16	53
Net cash outflow from financing activities	(4,792)	(2,914)
(Decrease)/increase in cash and bank overdrafts in the year	(1,956)	1,384
Exchange adjustments	(254)	233
Cash and bank overdrafts at beginning of year	3,972	2,355
Cash and bank overdrafts at end of year	1,762	3,972
Cash and bank overdrafts at end of year comprise:		
Cash and cash equivalents	2,005	4,209
Overdrafts	(243)	(237)
	1,762	3,972

CASH FLOW STATEMENT
Three months ended 31st December 2006

	Q4 2006 £m	Q4 2005 £m
Profit after tax	1,205	1,151
Tax on profits	505	455
Share of after tax profits of associates and joint ventures	(13)	(13)
Finance income/expense	3	40
Depreciation and other non-cash items	251	434
Increase in working capital	(11)	(255)
Increase/(decrease) in other net liabilities	6	(92)
Cash generated from operations	1,946	1,720
Taxation paid	(441)	(435)
Net cash inflow from operating activities	1,505	1,285
Cash flow from investing activities		
Purchase of property, plant and equipment	(470)	(348)
Proceeds from sale of property, plant and equipment	11	(9)
Purchase of intangible assets	(69)	(93)
Proceeds from sale of intangible assets	(8)	(3)
Purchase of equity investments	(22)	(5)
Proceeds from sale of equity investments	10	13
Share transactions with minority shareholders	1	(4)
Purchase of businesses, net of cash acquired	(256)	(883)
Disposals of businesses and interests in associates	2	(2)
Investment in associates and joint ventures	(5)	—
Interest received	102	90
Dividends from associates and joint ventures	2	2
Net cash outflow from investing activities	(702)	(1,242)
Cash flow from financing activities		
Increase in liquid investments	(6)	(684)
Proceeds from own shares for employee share options	31	45
Issue of share capital	55	171
Purchase of Treasury shares	(534)	(374)
Net increase in/(repayment of) short-term loans	135	(489)
Net repayment of obligations under finance leases	(7)	(11)
Interest paid	(167)	(60)
Dividends paid to shareholders	(620)	(567)
Dividends paid to minority interests	(6)	(8)
Other financing cash flows	116	21
Net cash outflow from financing activities	(1,003)	(1,956)
Decrease in cash and bank overdrafts in the period	(200)	(1,913)
Exchange adjustments	(46)	20
Cash and bank overdrafts at beginning of period	2,008	5,865
Cash and bank overdrafts at end of period	1,762	3,972
Cash and bank overdrafts at end of period comprise:		
Cash and cash equivalents	2,005	4,209
Overdrafts	(243)	(237)
	1,762	3,972

RECONCILIATION OF CASH FLOW TO MOVEMENTS IN NET DEBT

	2006 £m	2005 £m
Net debt at beginning of the year	(1,237)	(1,984)
(Decrease)/increase in cash and bank overdrafts	(1,956)	1,384
Cash outflow/(inflow) from liquid investments	55	(550)
Net increase in long-term loans	—	(912)
Net repayment of short-term loans	739	857
Net repayment of obligations under finance leases	34	36
Net non-cash funds of businesses acquired	—	(68)
Exchange adjustments	(9)	39
Other non-cash movements	(76)	(39)
(Increase)/decrease in net debt	(1,213)	747
Net debt at end of the year	(2,450)	(1,237)

FINANCIAL REVIEW — CASH FLOW

Cash generated from operations was £8,203 million in 2006. This represents an increase of £538 million over 2005, principally due to higher operating profits which were partially offset by an increase in working capital and a decrease in other net liabilities. The operating cash flow is in excess of the funds needed for the routine cash flows of tax, capital expenditure on property, plant and equipment and dividend payments, together amounting to £7.8 billion. Taxation paid during the year included the gross payment of $3.3 billion (£1.8 billion) under the transfer pricing dispute settlement with the US Internal Revenue Service (see 'Taxation' on page 13). The purchase of businesses cost £273 million. Receipts of £467 million arose from the exercise of share options: £151 million from shares held by the ESOP Trusts and £316 million from the issue of new shares. In addition, £1,348 million was spent in the year on purchasing the company's shares to be held as Treasury shares.

EXCHANGE RATES

The results and net assets of the Group, as reported in sterling, are affected by movements in exchange rates between sterling and overseas currencies. GSK uses the average of exchange rates prevailing during the period to translate the results and cash flows of overseas Group subsidiary and associated undertakings into sterling and period-end rates to translate the net assets of those undertakings. The currencies which most influence these translations, and the relevant exchange rates, are:

	2006	2005	Q4 2006	Q4 2005
Average rates:				
£/US$	1.85	1.82	1.94	1.73
£/Euro	1.47	1.46	1.50	1.46
£/Yen	215.00	200.00	227.00	203.00
Period-end rates:				
£/US$	1.96	1.72	1.96	1.72
£/Euro	1.48	1.46	1.48	1.46
£/Yen	233.00	203.00	233.00	203.00

During 2006, average sterling exchange rates were stronger against the US dollar, the Euro and the Yen compared with 2005. Comparing 2006 period-end rates with 2005 period-end rates, sterling was stronger against the US dollar, the Euro and the Yen.

LEGAL MATTERS

The Group is involved in various legal and administrative proceedings, principally product liability, intellectual property, tax, anti-trust and governmental investigations and related private litigation concerning sales, marketing and pricing. The Group makes provision for those proceedings on a regular basis and may make additional significant provisions for such legal proceedings, as required in the event of further developments in those matters, consistent with generally accepted accounting principles. Litigation, particularly in the USA, is inherently unpredictable and excessive awards that may not be justified by the evidence can occur. The Group could in the future incur judgments or enter into settlements of claims that could result in payments that exceed its current provisions by an amount that would have a material adverse effect on the Group's financial condition, results of operations and cash flows.

Intellectual property claims include challenges to the validity of the patents on various of the Group's products or processes and assertions of non-infringement of those patents. A loss in any of these cases could result in loss of patent protection for the product at issue. The consequence of any such loss could be a significant decrease in sales of that product and could materially affect future results of operations for the Group.

At 31st December 2006, the Group's aggregate provision for legal and other disputes (not including tax matters described under 'Taxation' on page 13) was over £1.1 billion. The ultimate liability for legal claims may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations.

Developments since the date of the Annual Report as previously updated by the Legal matters sections of the Results Announcements for the first, second and third quarters of 2006 include:

Intellectual property

With respect to the Group's application to the US Patent and Trademark Office (USPTO) for re-issue of its combination patent for *Advair*, in January 2007 the Group received a Notice of Allowance finding the pharmaceutical composition claims patentable. The re-issue patent will have the same September 2010 expiration date as the original combination patent. In addition, the Group holds other US patents relating to *Advair*, including various patents relating to the *Diskus* device which expire over a penod from 2011 to 2016, and various patents relating to the HFA formulation and MDI device which expire over a period from 2014 to 2017.

With respect to the Group's patent infringement action against Cobalt Pharmaceuticals in respect of *Imitrex*, the Group reached a settlement with Cobalt in November 2006 which provides that Cobalt may distribute a generic version of sumatriptan tablets in the USA with an expected launch date early in the first quarter of 2009.

With respect to the Group's patent infringement action against Spectrum Pharmaceuticals in respect of *Imitrex*, the Group reached a settlement with Spectrum in December 2006 which provides that Spectrum may exclusively distribute authorised generic versions of certain sumatriptan injection products in the USA with an expected launch during GSK's sumatriptan paediatric exclusivity period which begins in August 2008, with such launch occurring not later than early November 2008.

With respect to the trial of the Group's patent infringement action in respect of *Requip* against Teva Pharmaceuticals in the US District Court for the District of Delaware, in December 2006 the judge ruled at the conclusion of the trial that the Group's patent on the use of ropinirole (the active ingredient in *Requip*) to treat Parkinson's disease is novel and non-obvious rejecting Teva's claims on those grounds. Teva's further claim that the patent is unenforceable for inequitable conduct remains before the judge as the evidence was not reviewed at the trial. This issue is to be decided on the basis of deposition testimony and documents and consideration of further potential filings by the parties. Teva's original challenge to the Group's basic compound patent was withdrawn before the trial, and Teva has accepted that the FDA will not approve its product prior to expiration of that patent.

With respect to the Group's patent infringement action against Ranbaxy Laboratories in respect of *Valtrex*, on 1st February 2007, Ranbaxy received FDA approval for its generic valacyclovir product, and notified the Group that it sought to market the product in the USA. The Group will apply to the court for a preliminary injunction prohibiting launch of this product pending completion of the lawsuit. Under the terms of an agreement between the companies, previously approved by the court, if the Group applies for such an injunction within 45 days, Ranbaxy will not launch its product until the court either rules on the preliminary injunction or decides the pending court case. No trial date has yet been set for the pending court case.

With respect to *Wellbutrin XL*, the US Food and Drug Administration (FDA) has approved Abbreviated New Drug Applications for Anchen Pharmaceuticals for a generic form of *Wellbutrin XL* (150mg and 300mg tablets) and Impax Laboratories for a generic form of 300mg tablets Marketing of a 300mg tablet generic version of *Wellbutrin XL* began in December 2006.
With respect to the Group's patent infringement action against Teva Pharmaceuticals in the US District Court for the District of New Jersey in respect of the basic compound patent (expiring in 2012) and the maleate salt patent (expiring in 2015) for *Avandia*, a trial date has been set for 6th August 2007. Dr Reddy's Laboratories' challenge of the maleate salt patent in the same court has been combined with the Teva action for trial. Neither Dr Reddy's nor the other manufacturers that have filed ANDAs for generic forms of *Avandia* have challenged the validity of the basic compound patent.

Anti-trust

With respect to anti-trust actions initiated against the Group on the basis of the Group's actions in 2003 to reduce illegal importation of prescription drugs from Canada, in November 2006 the US Court of Appeals for the Eighth Circuit affirmed the decision of the US District Court for the District of Minnesota which had granted the Group's motion to dismiss the purported class actions that had been consolidated for trial before that court. In December 2006, the trial judge, for the California state court anti-trust action filed on behalf of a number of retail pharmacies, granted the Group's motion for summary judgment. The remaining state anti-trust case filed by the Minnesota state attorney general is still in the discovery phase.

Commercial and other litigation

In December 2006, two purported class actions were filed in the US District Courts for the Central and Southern Districts of California against the Group on behalf of all the Group's US pharmaceutical sales representatives alleging that those representatives are entitled to overtime pay. Similar actions have been filed against other pharmaceutical companies. The cases are in their early stages.
Developments with respect to tax matters are described in 'Taxation' on page 13.

ACCOUNTING PRESENTATION AND POLICIES

This unaudited Results Announcement containing condensed financial information for the twelve and three months ended 31st December 2006 is prepared in accordance with the Listing Rules of the London Stock Exchange, IAS 34 'Interim Financial Reporting' and the accounting policies set out in the Annual Report 2005, except that IFRIC Interpretation 4 'Determining whether an arrangement contains a lease' and an amendment to IAS 39 'Financial guarantee contracts' have been implemented in 2006. Neither change has had a material effect on the current or prior periods. This Results Announcement does not constitute statutory accounts of the Group within the meaning of section 240 of the Companies Act 2005.

The income statement, statement of recognised income and expense and cash flow statement for the year ended, and the balance sheet at, 31st December 2005 have been derived from the full Group accounts published in the Annual Report 2005, which have been delivered to the Registrar of Companies and on which the report of the independent auditors was unqualified and did not contain a statement under either section 237(2) or section 237(3) of the Companies Act 1985.

Data for market share and market growth rates are GSK estimates based on the most recent data from independent external sources and, where appropriate, are valued in sterling at relevant exchange rates. Figures quoted for product market share reflect sales by GSK and licensees.

In order to illustrate underlying performance, it is the Group's practice to discuss its results in terms of constant exchange rate (CER) growth. This represents growth calculated as if the exchange rates used to determine the results of overseas companies in sterling had remained unchanged from those used in the previous year. All commentaries are presented in terms of CER unless otherwise stated.

INVESTOR INFORMATION

Preliminary Announcement of Annual Results for 2006

This Announcement was approved by the Board of Directors on Thursday 8th February 2007.

The income statement, statement of recognised income and expense, and cash flow statement for the year ended 31st December 2006 and the balance sheet at that date, are subject to completion of the audit and may also change should a significant adjusting event occur before the approval of the Annual Report 2006 on 28th February 2007.

Financial calendar

The company will announce first quarter 2007 results on 25th April 2007. The first interim dividend for 2007 will have an ex-dividend date of 2nd May 2007 and a record date of 4th May 2007. It will be paid on 12th July 2007.

Internet

This Announcement and other information about GSK are available on the company's website at: http://www.gsk.com.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

GlaxoSmithKline plc
(Registrant)

Date: February 8, 2007

By: /s/ Simon Bicknell

SIMON BICKNELL

Authorised Signatory for and on behalf of
GlaxoSmithKline plc

EXHIBIT 8

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For period ending Februay 09, 2007

GlaxoSmithKline plc

(Name of registrant)

980 Great West Road, Brentford, Middlesex, TW8 9GS
(Address of principal executive offices)

Indicate by check mark whether the registrant files or
will file annual reports under cover Form 20-F
or Form 40-F

Form 20-F x Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No x

Notification of Transactions of Directors, Persons Discharging Managerial Responsibility or Connected Persons

I give below details of changes in the interests of Directors, Persons Discharging Managerial Responsibility or Connected Persons in the Ordinary Shares of GlaxoSmithKline plc.

The Administrators of the GlaxoSmithKline US Retirement Savings Plan ("the Plan") notified GlaxoSmithKline plc on 9 February 2007, that as a result of a movement in the fund on 8 February 2007, the number of Ordinary Share ADRs held by the fund had changed from 16,558,811 to 16,417,421 at an average price of $54.71

The Plan is a discretionary fund of which all employees or former employees of GlaxoSmithKline plc and its subsidiaries are potential beneficiaries. Two of the Company's directors, Dr J P Garnier and Dr M M Slaoui are therefore potentially interested in the shares held in the fund from time to time in the same way as other employees or former employees of GlaxoSmithKline plc and its subsidiaries.

This notification relates to a transaction notified in accordance with Disclosure Rule 3.1.4R(1)(b).

S M Bicknell

Company Secretary

9 February 2007

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

GlaxoSmithKline plc
(Registrant)

Date: February 09, 2007

By: VICTORIA WHYTE

Victoria Whyte
Authorised Signatory for and on
behalf of GlaxoSmithKline plc

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For period ending February 09, 2007

GlaxoSmithKline plc

(Name of registrant)

980 Great West Road, Brentford, Middlesex, TW8 9GS
(Address of principal executive offices)

Indicate by check mark whether the registrant files or
will file annual reports under cover Form 20-F
or Form 40-F

Form 20-F x Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No x

Notification of Transactions of Directors, Persons Discharging Managerial Responsibility or Connected Persons

I give below details of changes in the interests of Directors, Persons Discharging Managerial Responsibility or Connected Persons in the Ordinary Shares of GlaxoSmithKline plc.

6 February 2007	Abacus (GSK) Trustees Limited, as trustee of the GlaxoSmithKline Employee Trust, ("the GSK Trust"), transferred 23,178 Ordinary Shares in the Company to participants in the SmithKline Beecham Employee Share Option Plan 1991.
7 February 2007	The GSK Trust transferred 25,422 Ordinary Shares in the Company to participants in the SmithKline Beecham Employee Share Option Plan 1991.

The Company was advised of these transactions on 8 February 2007.

The GSK Trust is a discretionary trust of which all employees or former employees of GlaxoSmithKline plc and its subsidiaries are potential beneficiaries. Three of the Company's directors, Dr J-P Garnier, Dr M M Slaoui and Mr J S Heslop are therefore interested in the shares held in the GSK Trust from time to time in the same way as other employees or former employees of GlaxoSmithKline plc and its subsidiaries.

This notification relates to a transaction notified in accordance with Disclosure Rule 3.1.4R(1)(b).

S M Bicknell
Company Secretary

9 February 2007

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

GlaxoSmithKline plc
(Registrant)

Date: February 09, 2007

By: VICTORIA WHYTE

Victoria Whyte
Authorised Signatory for and on
behalf of GlaxoSmithKline plc

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For period ending February 9, 2007

GlaxoSmithKline plc

(Name of registrant)

980 Great West Road, Brentford, Middlesex, TW8 9GS
(Address of principal executive offices)

Indicate by check mark whether the registrant files or
will file annual reports under cover Form 20-F
or Form 40-F

Form 20-F x Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No x

Notification of Transactions of Directors, Persons Discharging Managerial Responsibility or Connected Persons

I give below details of changes in interests in the Ordinary shares and American Depositary Shares (ADSs) of GlaxoSmithKline plc in respect of the under-mentioned Directors, Persons Discharging Managerial Responsibility and Connected Persons:-

Dr J-P Garnier	Exercise of options on 8 February 2007 over 68,411 ADSs granted on 24 March 1997, which would have lapsed on 23 March 2007, under the SmithKline Beecham Employee Share Option Plan 1991 at a price of $32.09 per ADS. The sale of 51,100 ADSs on 8 February 2007 at an average price of $55.81. Following this transaction Dr Garnier's total shareholding in the Company is 556,198 ADSs, which includes 248,448 ADSs that have been earned but deferred under the share programmes operated by the Company. At the price at which the above options were exercised, Dr Garnier's holding is equivalent to more than 17 times his annual basic salary.
Mr J S Heslop	Purchase of 10,000 Ordinary shares on 9 February 2007 at a price of GBP14.51 per share. Following this transaction Mr Heslop's total shareholding in the Company is 42,204 Ordinary shares. At the price at which the above shares were purchased, Mr Heslop's holding is equivalent to more than 1.5 times his annual basic salary.
Mr D Phelan	Exercise of options on 8 February 2007 over 54,623 ADSs granted on 13 November 1997, which would have lapsed on 12 November 2007, under the SmithKline Beecham Employee Share Option Plan 1991 at a price of $40.54 per ADS and over

	95,000 ADSs granted on 3 December 2002 under the GlaxoSmithKline Employee Share Option Plan at a price of $37.25 per ADS. The sale of 149,623 ADSs on 8 February 2007 at an average price of $55.81.
Mr D Stout	Exercise of options on 8 February 2007 over 4,951 ADSs granted on 24 March 1997, which would have lapsed on 23 March 2007, under the SmithKline Beecham Employee Share Option Plan 1991 at a price of $32.09 per ADS. The sale of 3,475 ADSs on 8 February 2007 at an average price of $55.87.

The Company was advised of these transactions on 8 and 9 February 2007.

This notification is in accordance with Disclosure Rules 3.1.4R(1)(a) and 3.1.4R (1)(b).

S M Bicknell
Company Secretary

9 February 2007

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

GlaxoSmithKline plc
(Registrant)

Date: February 9, 2007

By: VICTORIA WHYTE

Victoria Whyte
Authorised Signatory for and on behalf of GlaxoSmithKline plc

EXHIBIT 9

Annual Report 2006

A human race

GlaxoSmithKline

Do more, feel better, live longer

Financial summary

Results

	2006 £m	2005 £m	Sterling % growth
Turnover	**23,225**	21,660	7
Research and development	**3,457**	3,136	
Operating profit	**7,808**	6,874	14
Profit before taxation	**7,799**	6,732	
Profit after taxation for the year	**5,498**	4,816	
Profit attributable to shareholders	**5,389**	4,689	

	2006 pence	2005 pence	
Earnings per share	**95.5p**	82.6p	16
Diluted earnings per share	**94.5p**	82.0p	

	CER% growth*				
	2006	2005	2004	2003	2002
	9	7	1	5	7
	17	16	–	8	13
	19	18	2	10	13

	2006	2005	2004	2003	2002
Dividends per share	**48p**	44p	**42p**	41p	40p

Cash flow

	2006 £m	2005 £m
Net cash inflow from operating activities	**4,357**	5,958
Capital expenditure	**1,590**	1,181
Free cash flow	**2,623**	4,664
Dividends to shareholders	**2,598**	2,390
Purchase of GSK shares	**1,348**	999
Net debt	**2,450**	1,237

Share price

	2006	2005
Share price at 31st December	**£13.44**	£14.69

*CER% growth is on an IFRS basis for 2006 and 2005 and a UK GAAP, business performance basis for 2004 and earlier. In order to illustrate underlying performance, it is the Group's practice to discuss its results in terms of constant exchange rate (CER) growth. This represents growth calculated as if the exchange rates used to determine the results of overseas companies in Sterling had remained unchanged from those used in the previous year. CER% represents growth at constant exchange rates. Sterling% or £% represents growth at actual exchange rates.

Website

GlaxoSmithKline's website www.gsk.com gives additional information on the Group. Information made available on the website does not constitute part of this Annual Report.

Notice regarding limitations on Director liability under English law

Under the UK Companies Act 2006, a new safe harbour limits the liability of Directors in respect of statements in and omissions from the Report of the Directors contained on pages 2 and 3 and 6 to 82, under English law the Directors would be liable to the company (but not to any third party) if the Report of the Directors contains errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

Report of the Directors

Pages 2 and 3 and 6 to 82 inclusive consist of a Report of the Directors that has been drawn up and presented in accordance with and in reliance upon English company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Cautionary statement regarding forward-looking statements

The Group's reports filed with or furnished to the US Securities and Exchange Commission (SEC), including this document and written information released, or oral statements made, to the public in the future by or on behalf of the Group, may contain forward-looking statements. Forward-looking statements give the Group's current expectations or forecasts of future events. An investor can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as 'anticipate', 'estimate', 'expect', 'intend', 'will', 'project', 'plan', 'believe' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective products or product approvals, future performance or results of current and anticipated products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, and financial results. The Group undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements involve inherent risks and uncertainties. The Group cautions investors that a number of important factors, including those in this document, could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to, those discussed under 'Risk factors' on pages 44 to 47 of this Annual Report.

Chairman's and CEO's summary

Every day we are involved in a race that unites more than 100,000 people at GSK: in finding new medicines and vaccines that meet unmet medical needs; in ensuring that patients have access to these new medicines regardless of their financial circumstances; and in meeting the expectations of our many stakeholders, including you – our shareholder. It is a race with many stages and we won't win them all. But, as we take part, we never forget the real focus of our efforts: the human race.

2006 was a year of positive achievement for GSK as we continued to make progress on all fronts. Sales growth is coming from an ever-widening portfolio of fast-growing products that, combined with good cost control, has enabled us to deliver a strong financial performance. We also have very healthy momentum in our pipeline, with ten new products added to our late-stage development efforts in the last 12 months. For all these reasons, we look to the future with confidence.

Financial performance and outlook

Your company delivered a strong financial performance in 2006. Turnover of £23.2 billion is an increase of 9 per cent at constant exchange rates (CER)*. Earnings per share (EPS) were 95.5 pence, with growth of 19 per cent.

This performance was driven by sales of key pharmaceutical products including *Seretide/Advair* for asthma and chronic obstructive pulmonary disease (COPD), the *Avandia* group of products for diabetes, *Coreg* for heart disease, *Lamictal* for epilepsy and bipolar disorder, *Valtrex* for herpes, and our vaccines.

Although we performed well in a tough environment, the US political climate together with investor concern over pipeline delays resulted in our share price ending the year 9 per cent lower than at 1st January 2006.

Looking ahead, we expect new clinical data to help deliver growth from *Seretide/Advair* and the *Avandia* group of products, and continued good performance from our vaccines business. We plan to launch new products in both our Pharmaceutical and Consumer Healthcare businesses. In addition, we expect to continue to achieve savings through improved operational efficiency. The combination of new products and enhanced efficiency will help offset the impact of generic competition to *Zofran* and *Wellbutrin XL* during the coming 12 months and we expect to deliver 2007 EPS growth of 8 to 10 per cent in CER terms.

Delivering our pipeline for patients

Our pipeline is significant, with 158 projects in clinical development at the end of February 2007.

Although we had some setbacks during the year, including cancellation of *Redona* for diabetes, we have a great ability to reload our pipeline. And it is beginning to flow strongly, delivering much-needed new treatments for patients and opportunities for us. We now have 31 major product opportunities in phase III development or registration and we plan to launch five major new pharmaceutical products in 2007: *Tykerb* for breast cancer, *Cervarix* to prevent cervical cancer, *Allermist/Avamys* for allergic rhinitis, *Coreg CR* for heart conditions and *Treximа* for migraine.

Our Consumer Healthcare portfolio will also be strengthened in 2007 with the launch of ten products, including *alli*, the first FDA-approved OTC treatment for weight loss in the USA.

Best place to work

We work hard to create a working environment where the best people can do their best work and the results of our biennial employee opinion survey demonstrated that we are enjoying real success. For overall satisfaction, GSK scored higher than any of our peers in the benchmark group of major companies and 90 per cent of managers are proud to work for GSK.

Giving back to society

In 2006, our global community investment contributions were valued at £302 million, equivalent to 3.9 per cent of Group profit before tax. This is a significant sum, but such commitment is no less than should be expected from a company in our industry. We have the capability and the desire to reach out to patients and to find solutions to healthcare challenges worldwide, helping people do more, feel better and live longer.

A human race

For all our investment in technology, it is our people that make GSK so different. We could not succeed without their commitment, expertise and passion, and we thank them all for their outstanding efforts in 2006.

We also thank you, our shareholders, for your continued support during the year, together with our suppliers and business partners who work so hard on our behalf.

Our management team has again performed very well. In the past 12 months we welcomed to the Board Dr Moncef Slaoui, our new Chairman of R&D, on 17th May 2006, Dr Daniel Podolsky on 1st July 2006 and Dr Stephanie Burns on 12th February 2007. In addition to Moncef, the corporate executive team saw two changes. Jennie Younger left in June 2006 and was succeeded by Duncan Learmouth as Senior Vice President, Corporate Communications and Community Partnerships. Ford Calhoun retired in January 2007 and was succeeded by Bill Louv as Chief Information Officer. Our best wishes go to both Jennie and Ford and we thank them for the valuable skills, great contribution and good humour they brought to their roles over the years.

Sir Christopher Gent
Chairman

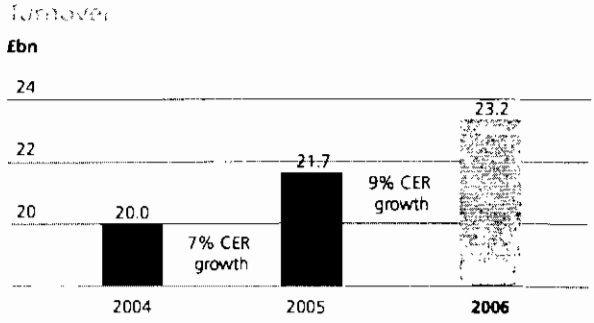
JP Garnier
Chief Executive Officer

2006 performance overview

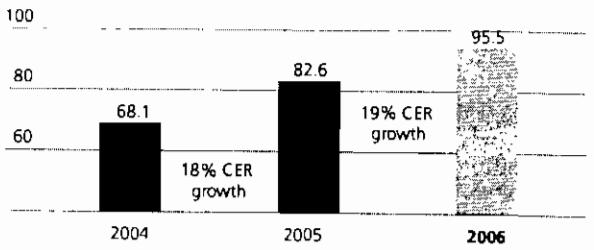
Key performance indicators

Turnover, earnings per share growth and total shareholder return

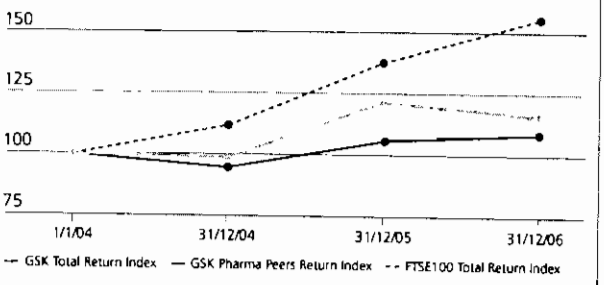
Turnover



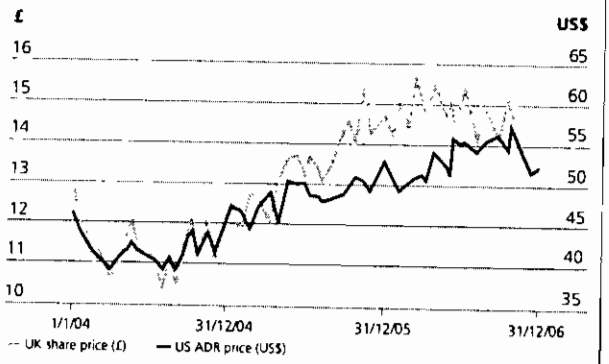
Earnings per share



Total shareholder return



Share price



At 23rd February 2007, the share price was £14.50/$56.92 per ADR

GSK's performance and development are driven by a number of important strategies

Strategies

Optimising the performance of our products

Both the Pharmaceutical and Consumer Healthcare businesses focus on ways to improve the return from the Group's intellectual property by maximising sales of key products.

GSK's activities include:

- achieving worldwide sales force excellence
- achieving Pharmaceutical and Consumer Healthcare marketing excellence
- maintaining the highest ethical standards
- improving the cost-effectiveness of operations

Delivering the product pipeline for patients

GSK aims to create the best product pipeline in the industry for the benefit of society. This includes developing a focused strategy to support the pipeline and manage the full life cycle of compounds from launch as prescription medicines through to potentially becoming over-the-counter products.

GSK measures R&D productivity by the number and level of innovation of the products it creates, and by the ability to address unmet patient needs.

Being the best place for the best people to do their best work

GSK is committed to creating the best place for the best people to do their best work by:

- recruiting and developing the best people in the industry
- supporting a culture of high reward for high performance
- ensuring good communication and employee involvement
- maintaining a diverse and healthy workforce

Improving access to medicines

GSK is finding innovative ways to bring medicines, vaccines and health education to patients in all countries, including those suffering from epidemics and neglected diseases.

Key developments in 2006

- Total turnover grew 9% to £23.2 billion – Pharmaceuticals up 9% to £20.1 billion; Consumer Healthcare up 6% to £3.1 billion
- Top ten Pharmaceutical products:
  - *Seretide/Advair* £3,313 million, up 11%
  - Vaccines products £1,692 million, up 23%
  - *Avandia* group of products £1,645 million, up 25%
  - *Lamictal* £996 million, up 19%
  - *Wellbutrin* £900 million, up 24%
  - *Zofran* £847 million, up 3%
  - *Valtrex* £845 million, up 24%
  - *Coreg* £779 million, up 38%
  - *Imigran/Imitrex* £711 million, up 3%
  - *Flixotide/Flovent* £659 million, up 5%
- High potential products *Avodart*, *Requip* and *Boniva* delivered combined sales of £579 million
- Top five Consumer Healthcare products:
  - *Lucozade* £301 million, up 14%
  - *Aquafresh* £283 million, down 3%
  - *Sensodyne* £257 million, up 19%
  - *Panadol* £207 million, up 6%
  - *Ribena* £169 million, down 1%
- Operating margin increased by 1.9 percentage points to 33.6% of turnover
- Continuing financial strength enabled the 2006 dividend to be increased to 48 pence (2005 – 44 pence)
- A new share buy-back programme of £6 billion over three years was announced

More details on page 31.

- In February 2007, GSK had 158 pharmaceutical and vaccine projects in clinical development, compared with 149 in February 2006
- 31 major product opportunities were in phase III development or registration (13 NCEs, 6 new vaccines, 12 PLEs), including:
  - *Cervarix* (cervical cancer)
  - *Tykerb* (breast cancer)
  - *Allermist* (allergic rhinitis)
  - *Coreg CR* (cardiovascular conditions)
  - *Trexima* (migraine)
  - H5N1 (pandemic 'flu vaccine)
- Late stage projects terminated included *Redona* for type 2 diabetes and brecanavir for HIV/AIDS

More details on page 12.

- The Group's biennial global leadership survey of over 10,000 managers in 2006 showed:
  - 91% (2004 – 91%) of managers believed "people in their department show commitment to performance with integrity"
  - 90% (2004 – 83%) of managers were "proud to be part of GlaxoSmithKline"
  - 86% (2004 – 77%) of managers would "gladly refer a friend or family member to work for GlaxoSmithKline"
- In 2006, 36.3% of the global management population was female (2005 – 35.5%)

More details on page 17.

- Global community investment was valued at £302 million, 3.9% of profit before tax
- The lymphatic filariasis elimination programme continued with another 155 million albendazole treatments donated, making almost 600 million treatments in total
- GSK shipped over 27 million *Combivir* tablets and nearly 59 million *Epivir* tablets to developing countries at not-for-profit prices. Approximately 120 million tablets were supplied by generic manufacturers licensed by GSK
- Other international humanitarian product donations totalled £22 million

More details on page 19.

GlaxoSmithKline plc is a public limited company incorporated on 6th December 1999 under English law. Its shares are listed on the London Stock Exchange and the New York Stock Exchange. On 27th December 2000 the company acquired Glaxo Wellcome plc and SmithKline Beecham plc, both English public limited companies, by way of a scheme of arrangement for the merger of the two companies. Both Glaxo Wellcome and SmithKline Beecham were major global healthcare businesses.

GSK plc and its subsidiary and associated undertakings constitute a major global healthcare group engaged in the creation, discovery, development, manufacture and marketing of pharmaceutical and consumer health-related products.

GSK has its corporate head office in London. It also has operational headquarters in Philadelphia and Research Triangle Park, USA, and operations in some 117 countries, with products sold in over 140 countries. The principal research and development (R&D) facilities are in the UK, the USA, Japan, Italy, Spain and Belgium. Products are currently manufactured in some 37 countries.

The major markets for the Group's products are the USA, France, Japan, the UK, Italy, Germany and Spain.

GSK operates principally in two industry segments:

- Pharmaceuticals (prescription pharmaceuticals and vaccines)
- Consumer Healthcare (over-the-counter medicines, oral care and nutritional healthcare).

This report is the Annual Report of GlaxoSmithKline plc for the year ended 31st December 2006, prepared in accordance with United Kingdom requirements. It was approved by the Board of Directors on 28th February 2007 and published on 2nd March 2007.

A summary report on the year, the Annual Review 2006, which is prepared in accordance with United Kingdom requirements and intended for the investor not needing the full detail of the Annual Report, is produced as a separate document. It includes the joint statement by the Chairman and the Chief Executive Officer, a summary review of operations, summary financial statements and a summary remuneration report. The Annual Review is issued to all shareholders. The Annual Report is issued to shareholders who have elected to receive it. Both documents are available on GlaxoSmithKline's corporate website at www.gsk.com.

In this Report 'GlaxoSmithKline', the 'Group' or 'GSK' means GlaxoSmithKline plc and its subsidiary undertakings; the 'company' means GlaxoSmithKline plc; 'GlaxoSmithKline share' means an Ordinary Share of GlaxoSmithKline plc of 25p; American Depositary Share (ADS) represents two GlaxoSmithKline shares.

Brand names appearing in italics throughout this report are trademarks either owned by and/or licensed to GlaxoSmithKline or associated companies, with the exception of *Baycol* and *Levitra*, trademarks of Bayer, *Boniva/Bonviva*, a trademark of Roche, *Citrucel*, a trademark of Merrell Pharmaceuticals, *Entereg*, a trademark of Adolor Corporation in the USA, *Hepsera*, a trademark of Gilead Sciences in some countries including the USA, *HuMax-CD20* a trademark of Genmab, *Integrilin*, a trademark of Millennium Pharmaceuticals, *Lymphostat B*, a trademark of Human Genome Sciences, *Nicoderm*, a trademark of Sanofi-Aventis, Pfizer Canada, Elan, Novartis, Merrell or GlaxoSmithKline, and *Vesicare*, a trademark of Astellas Pharmaceuticals in many countries and of Yamanouchi Pharmaceuticals in certain countries, all of which are used in certain countries under licence by the Group.

Contents

Mission

Our global quest is to improve the quality of human life by enabling people to do more, feel better and live longer.

Our Spirit

We undertake our quest with the enthusiasm of entrepreneurs, excited by the constant search for innovation. We value performance achieved with integrity. We will attain success as a world class global leader with each and every one of our people contributing with passion and an unmatched sense of urgency.

Financial trends and ratios

	2006	Growth		2005	Growth		2004
	£m	CER%	£%	£m	CER%	£%	£m
Turnover – Pharmaceuticals	**20,078**	9	8	18,661	8	9	17,100
– Consumer Healthcare	**3,147**	6	5	2,999	2	4	2,886
Total	**23,225**	9	7	21,660	7	8	19,986
Cost of sales	**(5,010)**	6	5	(4,764)	8	9	(4,360)
Selling, general and administration	**(7,257)**	–	–	(7,250)	–	1	(7,201)
Research and development	**(3,457)**	11	10	(3,136)	8	8	(2,904)
Other operating income	**307**			364			235
Operating profit	**7,808**	17	14	6,874	16	19	5,756
Profit before taxation	**7,799**	19	16	6,732	13	16	5,779
Profit after taxation for the year	**5,498**	17	14	4,816	17	20	4,022
Profit attributable to minority interests	**109**			127			114
Profit attributable to shareholders	**5,389**			4,689			3,908
Earnings per share (pence)	**95.5p**	19	16	82.6p	18	21	68.1p
Diluted earnings per share (pence)	**94.5p**			82.0p			68.0p
Research and development							
Pharmaceuticals	**3,353**			3,030			2,797
Consumer Healthcare	**104**			106			107
Total	**3,457**			3,136			2,904
Net finance cost cover							
Net finance costs	**65**			194			186
Cover	**121 times**			36 times			32 times

Net finance cost cover is profit before tax plus net finance costs, divided by net finance costs.

Tax rate	**29.5%**	28.5%	30.4%
Borrowings			
Net debt	**2,450**	1,237	1,984
Gearing	**25%**	16%	33%

The gearing ratio is calculated as net debt as a percentage of total equity.

Exchange rates

The Group, as a multinational business, operates in many countries and earns revenues and incurs costs in many currencies. Its results are reported in Sterling and are affected by movements in exchange rates between Sterling and other currencies.

Average exchange rates prevailing during the period are used to translate the results and cash flows of overseas subsidiary and associated undertakings and joint ventures into Sterling. Period end rates are used to translate the net assets of those undertakings. The currencies which most influence these translations are the US dollar, the Euro and the Japanese Yen.

The business review discusses GSK's financial and non-financial activities, resources, developments and performance during 2006 and outlines the trends and factors which are likely to affect its future development under the following headings:

The '2006 performance overview' on pages 2 and 3 form part of this business review.

Discussion of the Group's management structures and corporate governance procedures is set out in Corporate governance (pages 53 to 63).

The Remuneration Report gives details of the Group's policies on Directors' remuneration and the amounts earned by Directors and senior management in 2006 (pages 65 to 82).

The reconciliation to US accounting principles is set out in Note 41 to the financial statements.

This report is prepared under International Financial Reporting Standards (IFRS), as adopted by the European Union. GSK has taken advantage of an exemption which permits financial instruments to be accounted for and presented on a UK GAAP basis in 2004 and only in accordance with IAS 32 and IAS 39 from 1st January 2005.

Data for market share and market growth rates are GSK estimates based on the most recent data from independent external sources, and where appropriate, are valued in Sterling at relevant exchange rates. Figures quoted for product market share reflect sales by GSK and licensees.

The Group operates in many countries and earns revenues and incurs costs in many currencies. The results of the Group, as reported in Sterling, are affected by movements in exchange rates between Sterling and other currencies. Average exchange rates prevailing during the period are used to translate the results and cash flows of overseas subsidiary and associated undertakings and joint ventures into Sterling. Period end rates are used to translate the net assets of those undertakings. The currencies which most influence these translations are the US dollar, the Euro and the Japanese Yen.

In order to illustrate underlying performance, it is the Group's practice to discuss its results in terms of constant exchange rate (CER) growth. This represents growth calculated as if the exchange rates used to determine the results of overseas companies in Sterling had remained unchanged from those used in the previous year. CER% represents growth at constant exchange rates. £% represents growth at actual exchange rates.

Optimising the performance of key products

GSK undertakes a range of activities to maximise the commercial potential of its intellectual property by introducing innovative products, accelerating the process of bringing them to as many markets as possible, increasing brand recognition and improving access to new medicines. Both the pharmaceutical and consumer healthcare businesses focus on ways to optimise performance of key products through a number of initiatives. Some of these are:

GSK's sales force has always ranked high in surveys with healthcare professionals. Worldwide Sales Force Excellence (WSFE) aims to improve customer satisfaction even further.

The time available for physicians to learn about new medicines and clinical studies is precious. Through the WSFE initiative, sales representatives strengthen product knowledge and learn to deliver patient-specific treatment options more efficiently and more effectively. Research shows that a sales visit is highly effective when a representative engages the physician in dialogue around patient types and supports the message with visual aids that illustrate clinical results.

A single global sales call model has been introduced that focuses on treating the patient through a dialogue about "when" a GSK medicine is appropriate, "why" it is effective and "how" to administer it safely. All field staff in GSK's key markets have been trained in this new approach. The entire sales organisation is involved in WSFE to bring about a cultural change that raises ethical standards and helps build long-term, trusting relationships with the healthcare community. In addition, a dashboard of key performance indicators, a product knowledge certification process and an effective leadership training programme have been established.

Superior product knowledge is essential in serving the needs of healthcare professionals. Physicians rely on GSK to keep them abreast of changes in prescribing information or new clinical studies involving GSK medicines. As a key goal of WSFE, GSK expanded its Annual Certification program to all countries. Over 30,000 representatives passed certification tests on the pathology, prescribing information and key messages of their leading products. Scores were consistently around 98%, with many representatives achieving a perfect score.

Large numbers of patients suffering the effects of disease continue to be unable to benefit from innovative medicines and treatments. For example within Europe, around 50% of patients suffering from Chronic Obstructive Pulmonary Disease (COPD) are diagnosed and of those, only 60% receive regular maintenance drug therapy.

GSK's marketing initiative implements programmes to overcome the barriers to proper diagnosis and treatment, by providing accurate and balanced information on its products, to allow as many people as possible to benefit from GSK's medical advances. While these programmes are beginning to show effects, more needs to be done before the societal costs of disease will decrease.

GSK is committed to ethical, responsible and patient-centred marketing. The Group's Pharmaceutical Marketing and Promotional Activity policy governs marketing activities and applies to all employees, suppliers, contractors and agents. This policy requires that all marketing and promotional activities are based on valid scientific evidence and comply with applicable laws and regulations.

This policy is supported by regional marketing practices codes in Europe, GSK's International region, Japan and the USA. These codes apply the same ethical standards but reflect differences in market structures, national healthcare systems and regulations. They incorporate the principles of industry codes of practice such as the European Federation of Pharmaceutical Industries Associations, the International Federation of Pharmaceutical Manufacturers Associations, Japan Pharmaceutical Manufacturers Association and Pharmaceutical Research and Manufacturers of America marketing codes.

In 2006, US Pharmaceutical businesses created and implemented the Next Generation Now operating model for advertising agencies. Design of this model, which aims to improve creativity and productivity and achieve significant cost savings, involved a number of key areas. As a result professional brand accounts were consolidated under a single agency, which increased access to the best talent, streamlined account management and reduced rates. The team also instituted key changes for agency reviews and created financial parameters and resource guides to improve decision making and processes.

The recent restructuring that placed greater emphasis on the brands' opportunities is now a major factor in the improved performance of this business. Through this restructuring, a team called the Future Group was created to drive the pipelines and marketing programmes for global brands with significant sales in multiple markets. For other large brands that have one dominant market, but may be available in several territories, a dedicated team drives each of these lead market brands for their dominant market. The remaining assets, termed enterprise brands, are locally managed by in-market commercial teams to retain their entrepreneurial spirit and relevance.

Delivering the product pipeline for patients

Research and Development – Pharmaceuticals

Since the merger, GSK R&D has developed one of the most robust pipelines of potential new medicines in the industry. In 2006 Pharmaceutical R&D was actively managing over 150 projects in human clinical trials across the globe. Delivering this pipeline to patients safely and efficiently is our number one goal.

[illegible]

One objective unites the 15,500 people who work at GSK R&D, and that is staying focused on the patient. It drives them to discover potential treatments for disease and to develop innovative medicines that offer true benefit to patients. Reaching out to and speaking with patients and their families to understand the impact of disease on their lives, their work and their community are an essential part of this. GSK knows patients are waiting, and the focus on the patient is our driver to deliver the best every day.

Pharmaceutical R&D at GSK is organised around the discovery and development of medicines for patients. Discovery is conducted by Molecular Discovery Research and GSK's Centres of Excellence for Drug Discovery (CEDDs), and development by GSK's Medicine Development Centres (MDCs). Along the way, many other groups provide critical scientific input, conduct important experiments, and aid in managing the R&D process. These groups are described in more detail below.

[illegible] medicines

Two components are needed in the discovery of new medicines – identification of the most important molecular targets that have potential to impact human disease and discovery of compounds that can modulate these targets to alleviate disease in an effective and safe way.

Molecular Discovery Research (MDR) produces the lead compounds that may interact with targets which form the basis of drug discovery efforts in GSK's CEDDs. In 2006, MDR progressed over 220 preclinical drug discovery programmes and in so doing performed hundreds of assays per week and provided the CEDDs with over 70 high-quality new lead compounds.

When GSK R&D designed the CEDDs, they integrated groups of scientists and clinicians and organised their work around specific disease areas. At no more than 300-400 people, each CEDD is nimble and entrepreneurial. GSK's nine therapeutically aligned CEDDs, based in Europe and the USA, are:

- Biopharmaceuticals – Stevenage, UK
- Cardiovascular – Upper Merion, USA
- Infectious Disease – Upper Merion and Research Triangle Park, USA
- Metabolic – Research Triangle Park, USA
- Oncology – Upper Providence, USA
- Macrolide Drug Discovery – Zagreb, Croatia (acquired Pliva Research Institute in May 2006)
- Neurology & Gastrointestinal Diseases – Harlow, UK
- Psychiatry – Verona, Italy
- Respiratory and Inflammation – Stevenage, UK.

Each CEDD is responsible for identifying the targets of most relevance in its therapeutic area and building on the lead compounds to produce a potential medicine. The fundamental steps in turning a lead compound into a medicine are optimising it for potency, efficacy and safety and defining the biology in animals and humans so that the medicine can be tested for effects in the right patient groups. These inventive steps are underpinned through scientific research and the application of informed judgement to develop creative solutions to the problems and challenges that inevitably arise in discovery and early development.

Once a candidate compound is selected, the CEDDs are responsible for undertaking the clinical studies necessary to demonstrate an effect sufficient to declare "proof of concept" – the first indication in patients that the new medicine works. Based on the profile of safety and efficacy a decision is then made on whether to progress the medicine into late-stage drug development, where large-scale clinical trials are conducted to confirm the efficacy and safety and gain regulatory approval to commercialise the product.

During the year, 19 new projects entered Phase II clinical trials for the first time.

GSK is committed to developing clinical science to ensure the understanding of disease processes in humans and learning as much as possible about the medicines in development. The application of experimental medicine is a major opportunity for the industry to optimise the drug discovery process. Advances in clinical imaging are revolutionising experimental medicine and opening opportunities to visualise the effects of medicines in humans. In 2006, GSK opened the Clinical Imaging Centre (CIC) on the biomedical research campus of Imperial College, London. The new £46 million facility is staffed by clinical investigation research groups working with state-of-the-art magnetic resonance imaging and positron emission tomography imaging systems. Facilities include radiochemistry, biology, image analysis and neurophysiology laboratories. The formidable capabilities of the CIC are augmented through multiple, global collaborations with academic imaging centres, established by GSK over the last decade.

In addition to the nine CEDDs, GSK also created a Centre of Excellence for External Drug Discovery (CEEDD) in 2005. This small team is responsible for delivering compounds to the proof of concept stage by establishing and managing long-term strategic collaborations with biotechnology companies, small and medium-sized pharmaceutical companies and academic institutions. In 2006, the CEEDD established four new collaborations and currently oversees a portfolio of 58 drug discovery projects ranging from target selection through to human clinical trials.

Developing medicines for patients

Preclinical Development (PCD) includes a wide range of activities throughout the entire medicines development process. In addition, this function is involved in the enhancement of existing products by devising more convenient formulations. Early in the development process, the metabolism and safety of compounds are evaluated in laboratory animals before testing in humans. The testing required in animals is highly regulated (see Animals and research, page 12).

PCD researchers investigate appropriate dosage forms (for example, tablets or inhalers) and develop formulations to enhance a drug's effectiveness and its ease of use by the patient.

Delivering the product pipeline for patients

continued

Processes and supporting analytical methods for drug synthesis and product formulation and delivery are scaled up to meet increasing supply requirements. This leads to the technical transfer of the processes and methods to manufacturing. The new product supply process, a partnership between R&D and Global Manufacturing and Supply, ensures that a robust product is developed for large-scale commercial manufacturing and launch.

In 2006, GSK redesigned the management of late-stage development by dividing the single large late-stage development organisation into three distinct, empowered entities. The first component, Medicines Development, is the collection of six therapeutically aligned Medicine Development Centres (MDCs). Each MDC has ultimate accountability for developing experimental drugs into regulatory-approved medicines for patients. The MDCs are responsible for creating value through the execution of full product development plans and ensuring strong partnerships with the rest of GSK, in particular the CEDDs and the other late-stage development groups.

The MDCs are based at the major USA and UK sites and are aligned with the following therapeutic areas:

- Cardiovascular/Metabolic
- Infectious Diseases including Diseases of the Developing World (DDW)
- Musculoskeletal/Inflammation/Gastrointestinal/Urology
- Neuroscience (Psychiatry/Neurology)
- Oncology
- Respiratory

The MDCs discharge their responsibilities through project teams for each medicine in development. These project teams are responsible for maximising the worldwide development opportunities for each product within their remit and to see that all the information needed to support the registration, safety programmes, pricing and formulary negotiations is available. Commercial input from Global Product Strategy and Commercial Operations ensures that regional marketing needs are integrated into development plans at an early stage.

The second component, Development Operations drives operational excellence in medicine delivery at the study, project and portfolio level. This is done by establishing integrated planning to ensure consistent and predictable drug project plans and supplying valued clinical development capabilities. In 2006, development operations managed clinical trials with over 30,000 active patients, handling everything from patient recruitment to data management to project planning. Development Operations is also responsible for helping to identify patients outside of traditional markets. In 2006, it identified more than 20,000 new patients, 39% of whom were outside of Western Europe and North America.

The Office of the Chief Medical Officer is the third component of late-stage development and is charged with the safety of patients involved in clinical trials, as well as the proper filing of the findings with regulatory authorities. All clinical trials sponsored by GSK, irrespective of where they take place, are conducted according to international standards of good clinical practice and applicable laws and regulations. The protocols are reviewed by the external regulatory agencies in the relevant countries where required and all protocols are considered by an ethics review committee, whose responsibilities cover the sites where the studies will take place.

Safety data are routinely collected throughout development programmes and are reported to national and regional regulatory agencies in line with applicable regulations.

GSK considers its Chief Medical Officer, working with the Global Safety Board, to be ultimately accountable for oversight of all major decisions regarding patient safety. The GSK Global Safety Board is responsible internally for approving pivotal studies and investigating any issues related to patient safety arising during the development programme. Information from GSK clinical trials is widely and easily available at the Clinical Trial Register on the website.

In 2006, GSK formed a dedicated pharmacogenetics group. GSK believes that pharmacogenetic research, correlating genetic data with response to medicine, will help its scientists understand how different people respond to the effects of a medicine, both those therapeutically intended and those causing adverse events. R&D is collecting DNA samples, under appropriate patient consent, in clinical studies to identify pharmacogenetic information which may help predict a patient's response. This information is intended to define patient groups likely to gain benefit from treatment or to suffer a side effect. Pharmacogenetics promises to provide physicians with information to help them select the medicine and dose most likely to benefit the patient and, in the long run, may help to reduce pipeline attrition and improve productivity.

In-licensing

GSK continues to identify compounds from other companies that would enhance the portfolio and to create innovative collaborations to ensure that the Group is regarded as the partner of choice for large and small companies.

The subjects of acquisitions, in-licensing, co-marketing/co-promotion, or future options arrangements in 2006 were:

- Genmab's *HuMax-CD20* (ofatumumab), anti CD20 Mab in oncology (Phase III) and rheumatoid arthritis (Phase II)
- HGS' *LymphoStat B* for lupus erythematosus (Phase III)
- Gilead/Myogen's ambrisentan (commercialisation, excluding USA), selective endothelin receptor antagonist for pulmonary arterial hypertension (Phase III), plus marketing and distribution agreement for GSK's *Flolan* (in the USA) by Myogen
- Akros/Japan Tobacco's JTP-74057, a MEK inhibitor (preclinical)
- ChemoCentryx – options on preclinical assets and traficet (Phase II)
- EPIX – options on discovery targets and 5HT4 agonist (Phase I)
- Galapagos – options on discovery programmes in osteoarthritis (preclinical)
- Kissei's SGLT1 inhibitors for type 2 diabetes (preclinical)
- Pharmacopeia – options on discovery programmes (preclinical)
- Sirna's RNAi-based therapeutics for respiratory diseases (preclinical)
- Acquisition of the Pliva Research Institute

[illegible]

Once a product is launched, it is important to establish additional ways in which patients may be helped. This can be done through investigating whether other illnesses may be treated with the product or by the development of additional, more convenient dosage forms. Some developments reflect feedback from patients and medical professionals, while others are the result of continuing research into disease and its causes.

Delivering the product pipeline for patients

In 2006, GSK received approval in the USA for a controlled-release version of *Coreg*, *Coreg CR*, which allows once-daily dosing for hypertension and mild to severe heart failure. The product will be launched in the USA in Q1 2007. GSK also began a novel investigation to determine whether its diabetes treatment, rosiglitazone XR is effective in Alzheimer's Disease. The scientific basis for this programme was developed thanks to the pharmacogenetics work undertaken with rosiglitazone over the past seven years.

Managing the portfolio

Key projects reaching significant milestones are reviewed each month by the Product Management Board (PMB), which is responsible for determining if a medicine has met criteria for passing into the next phase of development.

Progress of the portfolio is communicated to investors and the media at regular intervals during the year. Details of GSK's product development pipeline are given on pages 13 to 16.

R&D risks

Pharmaceutical R&D, by its very nature, is an inherently risky venture. From the time a potential medicine is discovered until it becomes an approved medicine can take 10-15 years. Further, only one in ten molecules that starts human clinical trials ever reaches regulatory approval. The nine out of ten that fail can be discontinued for a variety of reasons, from insufficient safety thresholds to lack of efficacy to manufacturing hurdles. These discontinuations occur despite extensive predictive testing. Late-stage projects terminated during 2006 included brecanavir for HIV and *Redona* for diabetes.

Research and development – vaccines

The majority of GSK's vaccine activities are conducted at its biologicals headquarters in Rixensart and Wavre, Belgium. These include research, clinical development, regulatory strategy, commercial strategy, scaling up, vaccine production, packaging and all other support functions. The discovery and development of a new vaccine is a complex process requiring long-term investment. In R&D over 1,500 scientists are devoted to developing new vaccines and more cost-effective and convenient combination vaccines to prevent infections that cause serious medical problems worldwide. GSK is also targeting therapeutic vaccines that may prevent relapse in cancer patients. Thanks to the use of innovative technologies and its global business model, GSK is a fast-growing vaccine maker, delivering value by contributing to the health and well-being of people, in every generation around the world.

Vaccine discovery involves many collaborations with academia and the biotech industry to identify new vaccine antigens which are then expressed in yeast, bacteria or mammalian cells and purified to a very high level.

This is followed by formulation of the clinical lots of the vaccine. This may involve mixing antigens with selected GSK novel proprietary adjuvant systems, which are designed to enhance the immune response. The first step is to evaluate the safety and efficacy of the candidate vaccine in a preclinical setting, usually involving an animal model. The candidate vaccine is then tested in clinical trials in healthy individuals to evaluate safety and effectiveness in inducing an immune response to protect the body from infection encountered later in a natural setting (Phase VII). Large-scale field trials in healthy individuals follow to establish safety and efficacy in a cross section of the population (Phase III).

The results obtained during clinical trials and data regarding the development of a quality and large-scale production process and facilities are then combined into a regulatory file which is submitted to the authorities in the countries where the vaccine will be made available.

After launch, post marketing studies of considerable size are set up to assess vaccination programmes and to monitor vaccine safety (Phase IV).

Vaccine manufacturing is particularly complex as it requires the use of innovative technologies and living micro-organisms. Sophisticated quality assurance and quality control procedures are in place to ensure both quality and safety of the vaccines and this commonly includes animal use according to health authorities' requirements. Due to their biological nature, individual health authorities may subject vaccines to a second control to guarantee the highest quality standards.

GSK has been increasing its capacity to supply vaccines across the globe by developing a unique global manufacturing network based on three major regional hubs in Europe, North America and Asia. After the establishment of its North American hub in 2005 through three major acquisitions, GSK further strengthened in 2006 its vaccine capabilities in both Asia and Europe:

- investing more than £100 million to set up a vaccine manufacturing site dedicated to the primary production of paediatric vaccines in Singapore
- opening in Gödöllö, Hungary, its €100 million primary production facility for the manufacturing of diphtheria, tetanus and pertussis antigens used in several paediatric combinations vaccines
- investing more than €500 million in its vaccine manufacturing plant in St Amand-les-Eaux, France, to increase production capacity in formulation, filing, freeze-drying and packaging.

Diseases of the developing world

Continued investment in research into diseases that disproportionately affect the developing world is essential if there is to be a long-term improvement in the health of people who live in these regions. As part of GSK's response to this challenge, it operates a drug discovery unit, based at Tres Cantos (Spain), primarily dedicated to finding new medicines for malaria and tuberculosis. Additional research sites in the USA and the UK are focused on discovering new medicines to treat HIV/AIDS and drug resistant bacteria, while vaccine research is conducted in Rixensart (Belgium).

Medicines and vaccines that enter clinical trials are taken through development and regulatory processes by dedicated groups based in the UK, USA and Belgium. Through these R&D efforts, GSK is addressing the prevention and treatment of all three of the World Health Organization's (WHO) top priority diseases.

GSK currently has 14 clinical programmes of relevance to the developing world, 7 of which are aimed at producing vaccines and medicines for diseases that disproportionately affect developing countries.

Delivering the product pipeline for patients

continued

Public/Private Partnerships (PPPs) remain essential to fund research where there is no commercially viable market for a potential product. GSK is a leader in working in PPPs and continues to collaborate closely with many governments, academic centres, United Nations' agencies and other global funding bodies in this area, to maximise expertise and knowledge. This has the dual benefit of encouraging research and development and accelerating access to the medicines in the developing world.

For ethical, regulatory and scientific reasons, research using animals remains a small but vital part of research and development of new medicines and vaccines. GSK only uses animals where there is no alternative and only in the numbers required for each test. The Group strives to exceed regulatory standards in the care and use of the animals it uses and undergoes internal and external review to assure these standards.

The vast majority of the experimental methods do not use animals. GSK is actively engaged in research to develop and validate more tests that either avoid the use of animals in research or reduce the numbers needed. When animals are used in research unnecessary pain or suffering is scrupulously avoided.

GSK understands that use of animals for research purposes commands a high level of public interest. The GlaxoSmithKline Public Policy Position 'The care and ethical use of animals in research', and further information and reports, are available on the website, www.gsk.com or from Secretariat.

Research and development - Consumer Healthcare

The focus of R&D is to identify and develop novel products that benefit consumers in the over-the-counter (OTC), oral care and nutritional healthcare markets. To achieve a significant increase in innovation from internal and external sources, R&D has remodelled to deliver a more valuable pipeline of products. With this change, specific tasks that can be performed at lower cost outside the company have been transferred to external development partners. This transfer, along with other headcount reductions and savings, releases substantial funds for investment in additional innovation projects. The remodelling builds on the recently adopted Consumer Healthcare operating model whereby, for the Global brands, R&D mirrors the commercial structure, with brand-dedicated R&D teams paired with commercial brand teams and both located together at the Innovation Centres at Weybridge, UK or Parsippany, USA.

GSK's pipeline

At the end of February 2007, GSK had nearly 210 pharmaceutical and vaccine projects in development. Of these, 158 are in the clinic comprising 94 NCEs, 41 PLEs and 23 vaccines, compared with 118 in 2001.

In the last 12 months, 4 NCEs, 3 new vaccines and 3 in-licenced assets entered late-stage development.

GSK now has 31 major product opportunities in phase III development or registration, comprising 13 new chemical entities (NCEs), 6 new vaccines and 12 product line extensions (PLEs).

Major NCEs and vaccines in phase III development:
- ambrisentan – for hypertension
- *Lymphostat-B** – for lupus
- casopitant* – for post-operative and chemotherapy-induced vomiting and nausea
- pazopanib* – for prevention of tumour growth
- mepolizumab – for hypereosinophilic syndrome
- *Promacta** – for patients with low platelet count
- New generation 'flu vaccine*
- *Globorix* – a new combination paediatric vaccine against hepatitis B, diphtheria, meningitis A and C
- New meningitis vaccine against meningitis C and Y and Hib*
- *Synflorix* – vaccine to prevent pneumococcal disease.

(* entered late-stage in the last 12 months)

Major NCEs and vaccines filed:
- *Allermist/Avamys* – for hay fever; US approval expected in first half of 2007
- *Altabax/Altargo* – for skin infections; approval expected in 2007
- *Entereg* – for post-operative ileus, approval expected in 2007
- *Tykerb* – for breast cancer; US approval expected in first half of 2007
- *Cervarix* – vaccine to prevent cervical cancer; European and International launches expected in second half of 2007
- H5N1 pandemic vaccine.

Late-stage assets in-licensed during the last 12 months:
- *HuMax-CD20* – for the treatment of leukaemia and non-Hodgkin's lymphoma
- gepirone ER – for major depressive disorder
- XP13512 – for restless legs syndrome and treatment of neuropathic pain.

In 2007, GSK expects to launch 5 major new pharmaceutical products. For further details of these developments, and information on other important launches/filings expected in 2007, see GSK outlook on page 44.

This maturity in the late stage pipeline is expected to lead to an increase in registrations in the coming years. The content of the drug development portfolio will change over time as new compounds progress from discovery to development and from development to the market. Owing to the nature of the drug development process, many of these compounds, especially those in early stages of investigation, may be terminated as they progress through development. Phase I NCEs with multiple indications are counted only once. NCEs in later phases are counted by each indication. For competitive reasons, new projects in pre-clinical development have not been disclosed and some project types may not have been identified.

GSK's policy is to seek to obtain patent protection on all protectable inventions discovered or developed through its R&D activities. Patent protection for new active ingredients is available in all significant markets and protection can also be obtained, for example, on new pharmaceutical formulations, manufacturing processes, medical uses and special devices for administering products, see page 23.

Delivering the product pipeline for patients

†	In-license or other alliance relationship with third party
S	Date of first submission
A	Date of first regulatory approval (for MAA, this is the first EU approval letter)
AL	Approvable letter indicates that ultimately approval can be given subject to resolution of outstanding queries
MAA	Marketing authorisation application (Europe)
NDA	New drug application (USA)
Phase I	Evaluation of clinical pharmacology, usually conducted in volunteers
Phase II	Determination of dose and initial evaluation of efficacy, conducted in a small number of patients
Phase III	Large comparative study (compound versus placebo and/or established treatment) in patients to establish clinical benefit and safety.

Estimated submission dates are only disclosed where they are within 12 months of the date of the chart. This date represents the most likely year of submission where it is considered that there is a reasonably high probability of successfully meeting the date assuming the clinical data meets the expected end-points of the clinical trials.

Compound/Product	Type	Indication	Phase	Estimated submission dates MAA	NDA
[illegible]					
256073	high affinity nicotinic acid receptor (HM74A) agonist	dyslipidaemia	I		
568859†	lipoprotein-associated phospholipase A2 (Lp-PLA2) inhibitor	atherosclerosis	I		
813893	factor Xa inhibitor	prevention of stroke in atrial fibrillation	I		
856553	p38 kinase inhibitor	atherosclerosis (also rheumatoid arthritis & chronic obstructive pulmonary disease, COPD)	I		
rilapladib†	Lp-PLA2 inhibitor	atherosclerosis	I		
501516†	peroxisome proliferator-activator receptor (PPAR) delta agonist	dyslipidaemia	II		
681323	p38 kinase inhibitor	atherosclerosis (also COPD, neuropathic pain & rheumatoid arthritis)	II		
darapladib†	Lp-PLA2 inhibitor	atherosclerosis	II/III		
ambrisentan†	endothelin A antagonist	pulmonary arterial hypertension	III	2007	N/A
Coreg CR† + ACE inhibitor	beta blocker + angiotensin converting enzyme inhibitor	hypertension – fixed dose combination	III	N/A	
Arixtra	synthetic factor Xa inhibitor	treatment of acute coronary syndrome	Approvable	S:Jul06	AL:Feb07
Coreg CR†	beta blocker	hypertension & congestive heart failure – once-daily	Approved	N/A	A:Oct06
Metabolic projects					
189075†	sodium dependent glucose transport (SGLT2) inhibitor	obesity	I		
376501	PPAR gamma partial agonist	type 2 diabetes	I		
625019	PPAR pan agonist	type 2 diabetes & metabolic syndrome	I		
189075†	SGLT2 inhibitor	type 2 diabetes	II		
677954	PPAR pan agonist	type 2 diabetes, metabolic syndrome & dyslipidaemia	II		
869682†	SGLT2 inhibitor	obesity	II		
albiglutide (716155)†	glucagon-like peptide 1 agonist	type 2 diabetes	II		
Avandia	PPAR gamma agonist	atherosclerosis in type 2 diabetes	II		
Avandamet XR	PPAR gamma agonist + metformin	type 2 diabetes – extended release	III	N/A	2007
Avandia	PPAR gamma agonist	prevention of diabetes	III	N/A	2007
Avandia	PPAR gamma agonist	prevention of disease progression	III	N/A	2007
Avandia + simvastatin	PPAR gamma agonist + statin	type 2 diabetes	III	N/A	2007
Avandaryl/Avaglim†	PPAR gamma agonist + sulphonylurea	type 2 diabetes – fixed dose combination	Approved	A:Jun06	A:Dec05
Infectious Diseases					
565154	oral pleuromutilin	treatment of bacterial infections	I		
742510	oral pleuromutilin	treatment of bacterial infections	I		
farglitazar	PPAR gamma agonist	hepatic fibrosis	II		
sitamaquine	8-aminoquinoline	treatment of visceral leishmaniasis	II		N/A
tafenoquine†	8-aminoquinoline	*Plasmodium vivax* malaria	II		
chlorproguanil, dapsone + artesunate (CDA)†	antifolate + artemisinin	treatment of uncomplicated malaria	III	2008	N/A
Altabax/Altargo	topical pleuromutilin	bacterial skin infections	Approvable	S:Jun06	AL:Dec06
Antivirals					
625433	polymerase inhibitor	hepatitis C	I		
825780†	DNA antiviral vaccine	HIV infection	I		
364735†	integrase inhibitor	HIV infection	II		
Relenza†	neuraminidase inhibitor	influenza prophylaxis	Approved	A:Aug06	A:Mar06

Delivering the product pipeline for patients

continued

Compound/Product	Type	Indication	Phase	Estimated submission dates MAA	NDA
[illegible]					
221149	oxytocin antagonist	threatened pre-term labour	I		
232802	3G-selective oestrogen receptor modulator	treatment of menopausal symptoms	I		
267268	vitronectin integrin antagonist	age-related macular degeneration	I		
315234	monoclonal antibody	rheumatoid arthritis	I		
366074[1]	potassium channel opener	overactive bladder	I		
751689[1]	calcium antagonist	osteoporosis	I		
768974[1]	parathyroid hormone agonist	osteoporosis	I		
relacatib[1]	cathepsin K inhibitor	osteoporosis & osteoarthritis (also bone metastases)	I		
274150	selective iNOS inhibitor	rheumatoid arthritis (also migraine)	II		
681323	p38 kinase inhibitor (oral)	rheumatoid arthritis (also atherosclerosis, COPD & neuropathic pain)	II		
856553	p38 kinase inhibitor (oral)	rheumatoid arthritis (also atherosclerosis & COPD)	II		
876008[1]	corticotrophin releasing factor (CRF1) antagonist	irritable bowel syndrome (also depression & anxiety)	II		
casopitant	NK1 antagonist	overactive bladder (also depression & anxiety, chemotherapy induced & postoperative nausea & vomiting)	II		
dutasteride + testosterone	5-alpha reductase inhibitor + testosterone	hypogonadism – fixed dose combination	II		
HuMax-CD20 (ofatumumab)[1]	human monoclonal antibody	rheumatoid arthritis (chronic lymphocytic leukaemia & non-Hodgkin's lymphoma)	II		
mepolizumab	anti-IL5 monoclonal antibody	eosinophilic esophagitis (also severe asthma & nasal polyposis)	II		
rosiglitazone XR	PPAR gamma agonist	rheumatoid arthritis (also Alzheimer's disease)	II		
solabegron	beta3 adrenergic agonist	irritable bowel syndrome	II		
solabegron	beta3 adrenergic agonist	overactive bladder	II		
Avodart + alpha blocker	5-alpha reductase inhibitor + alpha blocker	benign prostatic hyperplasia – fixed dose combination	III		
Avodart	5-alpha reductase inhibitor	reduction in the risk of prostate cancer	III		
belimumab[1]	anti-B lymphocyte stimulator monoclonal antibody	systemic lupus erythematosus	III		
Entereg/Entrareg[1]	peripheral mu-opioid antagonist	opioid induced bowel dysfunction	III		
mepolizumab	anti-IL5 monoclonal antibody	hypereosinophilic syndrome (also severe asthma & nasal polyposis)	III		
Entereg/Entrareg[1]	peripheral mu-opioid antagonist	post operative ileus	Approvable		AL:Jul05 & AL:Nov06
Boniva/Bonviva[1]	bisphosphonate	treatment of postmenopausal osteoporosis – i.v. injection	Approved	A:Mar06	A:Jan06
[illegible]					
163090	5HT1 antagonist	depression & anxiety	I		
189254	histamine H3 antagonist	dementia	I		
239512	histamine H3 antagonist	dementia	I		
561679[1]	CRF1 antagonist	depression & anxiety	I		
588045	5HT1 antagonist	depression & anxiety	I		
598809	dopamine D3 antagonist	drug dependency	I		
729327	AMPA receptor modulator	schizophrenia	I		
823296	NK1 antagonist	depression & anxiety	I		
274150	selective iNOS inhibitor	migraine (also rheumatoid arthritis)	II		
372475[1]	triple (5HT/noradrenaline/dopamine) re-uptake inhibitor	depression	II		
468816	glycine antagonist	smoking cessation	II		
649868[1]	orexin antagonist	sleep disorders	II		
681323	p38 kinase inhibitor	neuropathic pain (also atherosclerosis, COPD & rheumatoid arthritis)	II		
683699[1]	dual alpha4 integrin antagonist (VLA4)	multiple sclerosis	II		
742457	5HT6 antagonist	dementia	II		
773812	mixed 5HT/dopaminergic antagonist	schizophrenia	II		
842166	non-cannabinoid CB2 agonist	inflammatory pain	II		
876008[1]	CRF1 antagonist	depression & anxiety (also irritable bowel syndrome)	II		
casopitant	NK1 antagonist	depression & anxiety (also overactive bladder, chemotherapy induced & postoperative nausea & vomiting)	II		
talnetant	NK3 antagonist	schizophrenia	II		
gepirone ER[1]	5HT1a agonist	major depressive disorder, once-daily	III		2007
Lamictal XR	sodium channel inhibitor	epilepsy – partial generalised tonic-clonic seizures, once-daily	III	N/A	2007
rosiglitazone XR	PPAR gamma agonist	Alzheimer's disease (also rheumatoid arthritis)	III		
Lamictal XR	sodium channel inhibitor	epilepsy – partial seizures, once-daily	Submitted	N/A	S:Nov06
Requip extended release	non-ergot dopamine agonist	restless legs syndrome	Submitted	N/A	S:Oct06
Requip Modutab/XL 24 hour[1]	non-ergot dopamine agonist	Parkinson's disease – once-daily controlled release formulation	Submitted	S:Dec05	S:Feb07
Treximа[1]	5HT1 agonist + naproxen	migraine – fixed dose combination	Approvable	N/A	AL:Jun06
Wellbutrin XL[1]	noradrenaline/dopamine re-uptake inhibitor	seasonal affective disorder	Approved	N/A	A:Jun06
Wellbutrin XL/XR[1]	noradrenaline/dopamine re-uptake inhibitor	depression	Approved	A:Dec06	A:Aug03

Delivering the product pipeline for patients

Compound/Product	Type	Indication	Phase	Estimated submission dates MAA	NDA
559448'	thrombopoietin agonist	thrombocytopaenia	I		
626616'	human kinase inhibitor	chemoprotection	I		
pazopanib	vascular endothelial growth factor (VEGF) tyrosine kinase inhibitor	non-small cell lung cancer & colorectal cancer (in combination with other treatment regimens)	I		
relacatib'	cathepsin K inhibitor	bone metastases (also osteoporosis & osteoarthritis)	I		
pazopanib + *Tykerb*	VEGF tyrosine kinase inhibitor + ErbB-2 and epidermal growth factor receptor (EGFR) dual kinase inhibitor	breast cancer	II		
pazopanib + *Tykerb*	VEGF tyrosine kinase inhibitor + ErbB-2 and EGFR dual kinase inhibitor	other cancers	II		
Promacta (eltrombopag)'	thrombopoietin agonist	chemotherapy induced thrombocytopaenia	II		
Promacta (eltrombopag)'	thrombopoietin agonist	hepatitis C	II		
casopitant	NK1 antagonist	chemotherapy induced & postoperative* nausea & vomiting (*USA only) (also overactive bladder, depression & anxiety)	III		
HuMax-CD20 (ofatumumab)'	human monoclonal antibody	chronic lymphocytic leukaemia & non-Hodgkin's lymphoma (also rheumatoid arthritis)	III		
Hycamtin	topo-isomerase I inhibitor	ovarian cancer first-line therapy	III		
Hycamtin	topo-isomerase I inhibitor	small cell lung cancer second-line therapy – oral formulation	III	2007	2007
pazopanib	VEGF tyrosine kinase inhibitor	renal cell cancer	III		
Promacta (eltrombopag)'	thrombopoietin agonist	long-term idiopathic thrombocytopaenic purpura	III		
Promacta (eltrombopag)'	thrombopoietin agonist	short-term idiopathic thrombocytopaenic purpura	III		2007/08
Tykerb	ErbB-2 and EGFR dual kinase inhibitor	breast cancer, adjuvant therapy	III		
Tykerb	ErbB-2 and EGFR dual kinase inhibitor	breast cancer, first-line therapy	III		
Tykerb	ErbB-2 and EGFR dual kinase inhibitor	head & neck squamous cell carcinomas	III		
Tykerb	ErbB-2 and EGFR dual kinase inhibitor	refractory breast cancer	Submitted	S:Oct06	S:Sep06
Arranon/Atriance	guanine arabinoside prodrug	acute lymphoblastic leukaemia & lymphomas	Approved	S:May06	A:Oct05
Hycamtin	topo-isomerase I inhibitor	cervical cancer, second-line therapy	Approved	A:Nov06	A:Jun06
256066	PDE IV inhibitor (inhaled)	COPD	I		
573719	muscarinic acetylcholine antagonist	COPD	I		
679586	monoclonal antibody	severe asthma	I		
961081'	muscarinic antagonist, beta2 agonist	COPD	I		
159797'	long-acting beta2 agonist	COPD, also COPD & asthma in combination with a glucocorticoid agonist	II		
159802'	long-acting beta2 agonist	COPD, also COPD & asthma in combination with a glucocorticoid agonist	II		
233705	muscarinic acetylcholine antagonist	COPD	II		
256066	PDE IV inhibitor (inhaled)	asthma	II		
256066	PDE IV inhibitor (intranasal)	allergic rhinitis	II		
597901'	long-acting beta2 agonist	COPD, also COPD & asthma in combination with a glucocorticoid agonist	II		
642444'	long-acting beta2 agonist	COPD, also COPD & asthma in combination with a glucocorticoid agonist	II		
678007'	long-acting beta2 agonist	COPD, also COPD & asthma in combination with a glucocorticoid agonist	II		
681323	p38 kinase inhibitor (oral)	COPD (also atherosclerosis, neuropathic pain & rheumatoid arthritis)	II		
685698	glucocorticoid agonist	asthma & COPD in combination with a long-acting beta2 agonist (also as *Avamys/Allermist* for allergic rhinitis)	II		
784568	glucocorticoid agonist (intranasal)	allergic rhinitis	II		
799943	glucocorticoid agonist	asthma & COPD in combination with a long-acting beta2 agonist	II		
856553	p38 kinase inhibitor (oral)	COPD (also atherosclerosis & rheumatoid arthritis)	II		
870086	novel glucocorticoid agonist	asthma	II		
mepolizumab	anti-IL5 monoclonal antibody	severe asthma & nasal polyposis (also hypereosinophilic syndrome & eosinophilic esophagitis)	II		
Avamys/Allermist	glucocorticoid agonist	allergic rhinitis	Submitted	S:Jul06	S:Jun06
Seretide/Advair	beta2 agonist/inhaled corticosteroid	COPD – mortality claim	Submitted	S:Sep06	S:Oct06
Ariflo	PDE IV inhibitor (oral)	COPD	Approvable		AL:Oct03
Seretide	beta2 agonist/inhaled corticosteroid	asthma – initial maintenance therapy	Approved	A:Jul06	N/A
Seretide/Advair	beta2 agonist/inhaled corticosteroid	asthma – non-CFC inhaler	Approved	A:Jun00	A:Jun06

Delivering the product pipeline for patients

(continued)

Compound/Product	Type	Indication	Phase	Estimated submission dates MAA	NDA
MenACWY-TT	conjugated	*Neisseria meningitis* groups A, C, W & Y disease prophylaxis	II		
Globorix	conjugated	diphtheria, tetanus, pertussis, hepatitis B, *Haemophilus influenzae* type b disease, *Neisseria meningitis* groups A & C disease prophylaxis	III	2007	
Hib-MenCY-TT	conjugated	*Neisseria meningitis* groups C & Y disease & *Haemophilus influenzae* type b disease prophylaxis	III		
Infanrix-IPV	subunit – inactivated	diphtheria, tetanus, pertussis + poliomyelitis prophylaxis (booster 5th dose)	III		2007
Synflorix	conjugated	*Streptococcus pneumoniae* disease and non-typeable *Haemophilus influenzae* prophylaxis for children	III	2007	
Priorix-Tetra	live attenuated	measles, mumps, rubella & varicella prophylaxis	Approved	A:Jul06	
Rotarix[1]	live attenuated – oral	rotavirus induced gastroenteritis prophylaxis	Approved	A:Feb06	2007
HIV	recombinant	HIV infection prophylaxis	I		
S. pneumoniae elderly	recombinant – conjugated	*Streptococcus pneumoniae* disease prophylaxis	I		
Dengue fever	attenuated tetravalent vaccine	Dengue fever prophylaxis	II		
Epstein-Barr virus[1]	recombinant	EBV infection prophylaxis	II		
Hepatitis E virus[1]	recombinant	hepatitis E prophylaxis	II		
Mosquirix	recombinant	malaria prophylaxis	II		
Tuberculosis	recombinant	tuberculosis prophylaxis	II		
Varicella Zoster virus	recombinant	Varicella Zoster prevention	II		
New generation 'flu vaccine	inactivated split-trivalent	seasonal influenza prophylaxis for the elderly	III		
Simplirix	recombinant	genital herpes prophylaxis	III		
Daronrix	inactivated whole-aluminium salt – monovalent	pandemic influenza prophylaxis	Submitted	S:Dec05	
'Flu pre-pandemic	H5N1 inactivated split- monovalent	pandemic influenza prophylaxis	Submitted	S:Jan07	
Cervarix[1]	recombinant	human papilloma virus infection prophylaxis	Submitted	S:Mar06	2007
FluLaval	inactivated split	influenza prophylaxis	Approved	2007	A:Oct06
P501	recombinant	treatment of prostate cancer	I		
MAGE-A3	recombinant	treatment of non-small cell lung cancer & melanoma	II		

Being the best place for the best people to do their best work

GlaxoSmithKline people

GlaxoSmithKline is committed to creating the best place for the best people to do their best work to deliver the Group's business strategy. The Group employs over 100,000 people in more than 117 countries.

[illegible]

Attracting the best people in the industry is critical to enhancing and sustaining GSK's performance. The Group's Talent Solutions recruiters in the USA and UK are focused on pro-active identification of talented external candidates for key jobs.

The annual performance and development planning (PDP) process ensures that employees set business aligned objectives and behavioural goals. PDPs are reviewed throughout the year, culminating with an end of year review that is factored into compensation decisions.

The annual talent management cycle identifies the highest performing people in each business and function and key talent is developed through tailored management and leadership programmes (for more detail see the Group's Corporate Responsibility Report), exposure to top management through programmes such as the Chief Executive Forum and stretch assignments. A pool of potential successors is identified for each Vice-President position and other critical roles in the organisation.

[illegible]

Reward systems are designed to support a culture of high performance and to attract and retain the best people. Performance based pay and bonuses, share awards and share options align employee interests with the meeting of business targets.

Communication and employee involvement

The Group conducts a Global Leadership Survey (GLS) every two years. The most recent survey was conducted in 2006 among more than 10,000 managers to gauge opinions on critical issues such as culture and confidence in the Group's future. Scores on morale and engagement have steadily increased since 2002 and compare very favourably with global benchmarks (42 top-ranked companies). In the 2006 survey, 90% of managers were "proud to be part of GlaxoSmithKline" and 86% would "gladly refer a friend or family member to work for GlaxoSmithKline". Each business and function develops action plans to address areas for improvement based on results from the GLS and other surveys.

The Group also consults employees on changes that affect them and discusses developments in the businesses with a European Employee Consultation Forum and similar bodies in countries where this is national practice. In 2006 in the UK, a new national consultation forum was created. The UK Information and Consultation Forum is made up of 15 elected employee representatives and seven management representatives. It meets regularly so that employee views can be taken into account before major changes affecting all employees are implemented.

Business ethics and reputation

Performance with integrity is central to operating at GSK. The 2006 GLS showed 91% believe that "people in their department show commitment to performance with integrity" and 82% agree that they "can report unethical practices without fear of reprisal".

To engage a wider range of managers, the half-day workshop on Ethical Decision-making (attended by 479 leaders in 2005) has been extended to three e-learning modules, which are being implemented across the businesses. So far, over 400 people have completed at least one of the three modules.

Maintaining standards

GSK expects employees to meet high ethical standards in all aspects of business by conducting activities with honesty and integrity, adhering to corporate responsibility principles and complying with applicable laws and regulations. GSK audits its operations to ensure relevant standards expected, such as those in marketing practices, are reached or exceeded.

Commitment to the GSK Code of Conduct is reinforced each year by a senior management certification programme, and in 2006 over 12,000 managers certified they had complied with "Performance with Integrity" principles.

The PDP process includes an assessment of how well employees have implemented the GSK Spirit, the principles used to define GSK's culture. This may have a significant impact on bonus payments and may also affect future career development. In this way the Group holds employees accountable for delivering performance with high standards of integrity to protect and enhance GSK's reputation.

Diversity

The diversity and inclusion initiatives focus on improving performance by responding to the diverse needs of employees, customers and external stakeholders. In the fifth year of the annual Multicultural Marketing and Diversity Awards, 14 teams from around the world highlighted innovative activities that demonstrated business impact. In 2006, the global management population was 63.7% male and 36.3% female. For more details on diversity measures, see the Employment Practices section of the Corporate Responsibility report.

The Group is committed to employment policies free from discrimination against existing or potential staff on the grounds of age, race, ethnic and national origin, gender, sexual orientation, faith or disability. GSK is committed to offering people with disabilities access to the full range of recruitment and career opportunities. Every effort is made to retain and support employees who become disabled while working with the Group.

Health and well being

Healthy employees and healthy ways of working contribute to the sustained performance of the Group. Global policies on employee health are supported by mandatory standards that integrate employee health and safety and environmental requirements. These standards are applied to all the Group's facilities and operations worldwide.

A commitment to flexible working through flexi-time, tele-conferencing, remote working and flexible work schedules, recognises that employees work best in an environment that helps them integrate their work and personal lives.

During 2006, the Group's Employee Health Management function developed a resilience programme which has now been translated into 11 languages and adopted in 12 countries.

Improving access to medicines

Access to healthcare in the developing world

Access to healthcare in developing countries remains a major challenge to the global community. The problem, which is rooted in poverty, demands a significant mobilisation of political will, additional resources and a true spirit of partnership. GSK continues to play a vital role, through its commitment to R&D into diseases particularly prevalent in the developing world, through its programme of preferential pricing for its anti-retrovirals (ARVs), anti-malarials and vaccines, through its community investment programmes (see page 19) and through its willingness to seek innovative solutions, such as voluntary licencing arrangements.

Immunisation, the GAVI programme

GSK has offered its vaccines to key organisations for vaccination programmes in developing countries at preferential prices for over 20 years. The Group also sets a single not-for-profit price for each of its ARVs and anti-malarials to a wide range of customers in the Least Developed Countries (UN definition) and sub-Saharan Africa, as well as Country Coordinating Mechanism-projects fully funded by the Global Fund to Fight AIDS, TB, and Malaria and the US President's Emergency Plan for AIDS Relief (PEPFAR). In July 2006, GSK introduced two new ARVs, *Kivexa* and *Telzir*, to its not-for-profit offering and reduced prices to GSK's abacavir-containing products by up to 30%.

GSK is committed to contributing to health improvements in a sustainable manner. The prices for its ARVs and anti-malarials are therefore set at levels at which no profit is made, but direct costs are covered, allowing supply to be sustained for as long as required. During 2006, GSK shipped to developing countries over 27 million tablets of not-for-profit-priced *Combivir* and nearly 59 million tablets of not-for-profit-priced *Epivir*. Some of our licensees are now supplying key markets in a more significant way.

The offer of not-for-profit prices requires a sustainable framework, combining GSK's commitment to preferential pricing with commitments from governments of the developed world to avoid price referencing against preferentially priced medicines and from all governments to help prevent product diversion. GSK has taken steps to minimise the threat of diversion with the registration of specific access packs or access tablets (differentiated red tablet as opposed to the traditional white) for its key ARVs. GSK is the only company to have registered its ARVs under the European Union's Anti-Diversion Regulation.

Innovative solutions

GSK has shown industry leadership in granting voluntary licences to eight generic companies for the manufacture and supply of ARVs to both the public and private sectors in sub-Saharan Africa. GSK is also a leader in collaborating in Public-Private Partnerships to enable new drug discovery and development to take place more effectively.

Looking ahead

GSK will continue to build on its product, pricing and partnership commitments to help improve healthcare in the developing world. However, a significant increase in funding from the global community is still needed. It is also important to maintain incentives for R&D through protection of intellectual property.

While much has been achieved, sustainable progress will only occur if the significant barriers that stand in the way of better access to healthcare are tackled as a shared responsibility by all sectors of global society – governments, international agencies, charities, academic institutions, the pharmaceutical industry and others.

Access to medicines in the developed world

Helping patients in the US

GSK is working to provide meaningful access to medicines for people with limited financial resources and without prescription drug insurance. In 2006, GSK's US patient assistance programmes provided $370 million worth of medicines, valued at wholesale acquisition cost, to 402,000 qualifying low income US residents.

GSK has worked to expand its patient assistance programme and created "GSK Access" to include those enrolled in Medicare Part D. Beginning in 2007, GSK Access will help eligible Part-D-enrolled patients who have spent at least $600 of their own money during the current year on outpatient medicines and may qualify to receive GSK medicines free.

For uninsured Americans who do not qualify for Medicare or Medicaid, GSK and 11 other pharmaceutical companies created Together Rx Access, a programme for qualified individuals offering reductions in the pharmacy cost on more than 300 medicines. Over 820,000 Together Rx Access cardholders, saved about $24 million in 2006.

GSK participates in the Partnership for Prescription Assistance (PPA), the largest national programme dedicated to helping people in need access prescription medicines. PPA has helped more than 3 million US patients in need find programmes providing significant help. GSK and other US pharmaceutical companies launched the programme in 2005 working with healthcare, physician and patient advocacy organisations.

Patient Advocacy

The Patient Advocacy initiative has demonstrated significant progress since its inception in 2002. Initially launched as a US programme, it is now a critical initiative throughout GSK. Patient Advocacy teams in the USA and Europe share best practices and established processes to optimise interaction with patient groups. Typically these relationships provide mutual opportunities: to learn about patient needs and priorities and for patient groups to develop an understanding of drug development challenges.

In 2006, Patient Advocacy Leaders Summits were held in the USA, Brazil and Japan, with over 1,000 attending GSK sponsored meetings. In the USA, GSK partnered with the Centers for Medicaid and Medicare Services to develop 12 regional meetings to educate patient groups on the new Medicare Drug Benefit and increase programme participation.

Programmes in other countries

The Group has also introduced Orange Cards providing discounts on certain GSK prescription medicines for eligible patients in Bulgaria, Lithuania and Ukraine. The nature of the discounts varies between countries and the way in which the healthcare system operates.

In September 2006, GSK announced an agreement with the Russian Government to supply anti-retroviral medicines, for the treatment of HIV/AIDS, at discounted prices. The agreement is the first direct, federal purchase of anti-retroviral medicines in Russia.

Preparing for a 'flu pandemic

As part of its commitment to support governments and health authorities to prepare for the threat of an influenza pandemic, GSK announced in 2006 promising data on the immunogenicity of its new generation H5N1 pandemic influenza vaccine. This innovative pandemic vaccine candidate is also believed to have the potential to offer protection against drifted variants of the H5N1 virus allowing a proactive pre-pandemic vaccination approach to be considered.

Corporate responsibility and community investment

Commitment to corporate responsibility

GSK is committed to connecting business decisions to ethical, social and environmental concerns. Thus, corporate responsibility is an integral and embedded part of the way GSK does business.

In 2003, GSK published a set of Corporate Responsibility principles to provide guidance on the standards to which the Group is committed. This sets out the approach to 10 areas: standards of ethical conduct, research and innovation, products and customers, access to medicines, employment practices, human rights, community investment, caring for the environment, leadership and advocacy, and engagement with stakeholders. The Group reports annually on progress in upholding these principles in its Corporate Responsibility Report, which is available on the website at www.gsk.com.

Partnering for success

GSK works as a partner with under-served communities in the developed and developing world. It supports programmes that are innovative and sustainable and that bring real benefits to these communities. The Group engages with numerous external stakeholders, funds community-led initiatives around the world and donates medicines to support humanitarian efforts and community-based healthcare.

Community investment

GSK's global community investment activities in 2006 were valued at £302 million, equivalent to 3.9% of Group profit before tax. This comprised product donations of £238 million, cash giving of £46 million, other in-kind donations of £3 million and costs of £15 million to manage and deliver community programmes in 109 countries.

Product donations and cash giving in 2006 were as follows:

1. Product donations

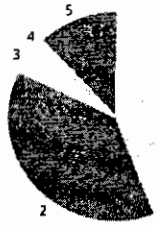
1 Patient Assistance Programs **£200 million**

2 Albendazole for LF **£16 million**

3 Humanitarian Product Donations **£22 million**

GSK's cash giving was targeted primarily at health and education initiatives.

2. Breakdown of cash giving



1 Health **(44%)**

2 Education **(38%)**

3 Arts and Culture **(4%)**

4 Environment **(2%)**

5 Other **(12%)**

In the UK, GSK contributed £7 million in 2006 to its continuing programme of charitable activities supporting over 100 organisations in health, medical research, science education, the arts and the environment.

Programmes in North America focused on improving public education and access to better healthcare for children and seniors both nationally and locally with funding of $34 million.

GSK does not operate a single charitable foundation for its community investment programmes, but has a number of country based foundations. The grants made by these foundations in 2006 are included in the investment total.

Global Health Programmes

Eliminating lymphatic filariasis

The Group's effort to eliminate the disabling disease, lymphatic filariasis (LF) from the world, continued in close partnership with the governments of countries where the disease is endemic, the WHO and over 40 partner organisations. GSK is committed to donate as much of the anti-parasitic drug albendazole as required to treat the one billion people at risk in 80 countries. In 2006, 155 million albendazole treatments, worth £16 million at wholesale acquisition cost, were donated to 34 countries. Since the global elimination programme started in 2000, a cumulative total of almost 600 million albendazole treatments have been donated.

Positive Action on HIV/AIDS

Positive Action is GSK's pioneering global programme working with communities affected by AIDS. Started in 1992, it supports community-based organisations to deliver effective HIV and AIDS education, prevention and healthcare services. During 2006, Positive Action worked with 26 partners to support programmes in 17 countries. Positive Action was the principal sponsor of the community section (The Global Village) at the International AIDS Conference held in Toronto.

The GlaxoSmithKline African Malaria Partnership

Since 2002, this partnership has supported three behavioural development programmes working in eight African countries. The programmes have targeted nearly two million people, focusing particularly on young children and pregnant women, encouraging effective prevention measures, prompt treatment and antenatal malaria management. In addition, GSK's malaria advocacy programme 'Mobilising for Malaria' launched country Coalitions Against Malaria in the UK, Belgium, France, Ethiopia and Cameroon to increase awareness of malaria and mobilise resources.

Corporate responsibility and community investment

continued

PHASE

The PHASE programme (Personal Hygiene And Sanitation Education), initiated by GSK in 1998, is now providing education to thousands of school children in Kenya, Uganda, Zambia, Nicaragua, Peru and Bangladesh to improve their health and hygiene to fight infectious diseases. In 2006 the Group committed three year funding of $0.9 million to extend the programme to Mexico and Tajikistan in partnership with Save the Children, USA.

Humanitarian product donations

During 2006, GSK donated essential products, such as antibiotics, through non-profit partners including AmeriCares, MAP International and Project HOPE, to support humanitarian relief efforts and community healthcare. The total value of the Group's international humanitarian product donations was £22 million. This excludes albendazole donated as part of the Group's commitment to the lymphatic filariasis elimination programme. Product donations are valued at wholesale acquisition cost, which is the wholesale list price, not including discounts, and is a standard industry method.

[illegible]

GSK is dedicated to strengthening the fabric of communities through providing health and education initiatives and support for local civic and cultural institutions that improve the quality of life.

GSK's contribution to improve healthcare includes a grant of almost $3 million over three years to the Children's Health Fund to expand their Referral Management Initiative (RMI) to sites in Philadelphia, including the Delaware Valley Community Health Center. The RMI ensures continuity of specialist medical care for high-risk children who are often homeless.

The annual GlaxoSmithKline IMPACT Awards recognise excellence in the work of non-profit community health organisations across the UK and in the Greater Philadelphia area of the USA. Over 20 charities receive unrestricted awards for their work dealing with diverse and difficult social issues such as domestic violence, sexual health services for young people, community health support and counselling services.

To further medical research, over £592,000 was provided to four UK medical charities, Asthma UK, the British Retinitis Pigmentosa Society, Deafness Research UK and the Muscular Dystrophy Campaign.

Education initiatives

GSK's efforts to improve public and science education included a $1 million endowment to the National Board for Professional Teaching Standards to increase the number of science teachers attaining certification initially in the North Carolina and Philadelphia areas, but extending to all 50 states.

During 2006, GSK supported the Institute for a Competitive Workforce, a new business coalition staffed by the Business Civic Leadership Center of the US Chamber of Commerce. This is aimed at improving education and creating a skilled workforce.

GSK also supports a range of local initiatives in the USA. For example 'Science in the Summer', a free library-based science education programme in the Philadelphia area teaching basic scientific concepts, continued to receive support with a grant of almost $400,000.

In 2006, GSK helped to launch PUPPETS: Talking Science, Engaging Science into UK primary schools, with grants of over £480,000 over four years. The puppets and their supporting materials increase children's engagement and motivate them to talk about science. GSK's support will enable 9,000 teachers to attend subsidised training over the next four years, and provide a set of puppets and training materials to each of the participating schools.

Only 25% of secondary school science teachers in England are chemistry specialists. Chemistry for Non-Specialists has been developed by the Royal Society of Chemistry to train teachers to teach chemistry with confidence, flair and enthusiasm. GSK is supporting the programme with a donation of £450,000 over three years starting in 2006.

Employee involvement

GSK employees are encouraged to contribute to their local communities through employee volunteering schemes. Support varies around the world, but includes employee time, cash donations to charities where employees volunteer and a matching gifts programme.

In 2006 in the USA, the Group matched more than 17,500 employee and retiree gifts at a value of over $5 million. The Group also matched more than $1.3 million of employee donations to GSK's annual United Way campaign. GSK's GIVE program provided grants of almost $340,000 to more than 365 organisations where US employees have volunteered.

GSK's Making a Difference programme in the UK provided grants of £225,000 to over 380 non-profit organisations and registered charities based on employee involvement.

Global manufacturing and supply

GSK manufactures a large portfolio of products, ranging from tablets and toothpaste to inhalers and complex capsules, in over 28,000 different pack sizes and presentations.

Manufacture of medicines starts with the development of a therapeutic active ingredient (bulk active) in a selected formulation. Global Manufacturing and Supply (GMS) develops manufacturing processes for full scale volume production of active compounds at primary manufacturing sites. Secondary sites then convert these active compounds into finished medicines.

Each year GMS produces around 6,000 tonnes of bulk actives and more than four billion packs, which are sold in over 140 countries. It also supports about 2,000 new product and line extension launches every year.

By adopting leading edge practices and developing its people, GMS provides:

- a secure source of supply of high quality products
- compliance with regulatory requirements and customer expectations
- best in class cost.

Organisation

GMS operates as a single global network of 80 sites in 37 countries. The sites are grouped into four supply divisions, based on common business drivers, areas of expertise and the commercial activities that they support.

Primary supply

Primary supply has 12 sites in six countries, supplying high quality, competitively priced bulk actives. The division is focused on improvements in primary technologies and processes.

New product and global supply

There are 10 new product and global supply sites in seven countries. Sites work closely with R&D's development team to ensure that the right technical competencies are in place to support rapid and successful new product introduction. These sites also ensure secure supply of key brands that are sold across many markets. This division is the focal point for developing and introducing new secondary manufacturing technologies for GMS.

Regional pharma supply

Regional pharma supply operates to supply key products in particular regions or markets and tailor packaging to meet specific local requirements. This division focuses on reducing costs, allowing GSK to compete more effectively in all its markets. There are 29 regional pharma supply sites in 22 countries.

Consumer Healthcare supply

Consumer Healthcare supply delivers high-quality, competitively priced products and supports rapid new product introduction in a highly innovative and competitive business with far shorter time frames than pharmaceuticals. New technologies have become a fundamental platform for driving innovation, lowering costs and providing flexibility in operations. There are 29 sites in 21 countries in Consumer Healthcare supply.

Operational Excellence

Within GMS, Operational Excellence provides the capability to drive improvements in process robustness, quality, performance and customer service. Operational Excellence is underpinned by extensive education and a culture of continuous improvement.

Vision Factory

GSK introduced the Vision Factory initiative to work towards a simpler, more efficient operating model within GMS. Vision Factory is enabling manufacturing operations to accelerate the improvement in performance and cost control.

Quality

The quality organisation oversees product quality across the supply chain, from suppliers and third party manufacturers through manufacturing to the supply operations that deliver products into the market. The quality organisation focuses on improving quality and compliance by increasing product quality understanding, and harmonising the quality approach across all sites. GSK continues to work with the FDA on Good Manufacturing Practice for the 21st Century and other initiatives.

External suppliers

GMS spends over £2 billion annually with many external suppliers, purchasing active ingredients, chemical intermediates, packaging components, and part-finished and finished products. It takes appropriate steps to protect our supply chains from any disruption.

Procurement

Widely recognised by industry analysts as a best practice leader, procurement works collaboratively to develop and implement sourcing strategies which ensures that GSK receives best value when buying goods and services. GSK leverages its procurement activities across the Group structure.

Vaccines supply chain

GSK biologicals' manufacturing network is based on three major regional hubs in Europe, North America and Asia. In Europe, vaccine manufacturing is located primarily at Rixensart and Wavre in Belgium, with three other sites in France, Germany and Hungary. In North America, GSK established its vaccine production network in 2005 through three major acquisitions: US based Corixa Corporation, with a production site in Hamilton, Montana, which manufactures MPL, a key component of GSK's adjuvant systems, a vaccine production site in Marietta, Pennsylvania and ID Biomedical with 'flu vaccine manufacturing facilities in Laval and Quebec, Canada. In Asia, new vaccine production facilities are being built in India and Singapore. Managing the vaccine supply chain involves anticipating market needs and using a flexible approach to be able to meet fluctuations in demand. These are based on forecasts from the different markets and firm orders from health authorities for mass vaccination campaigns.

Bulk, filling and packaging are carefully balanced and stocking of vaccines helps manage short-term increases in demand. Such increases result from disease outbreaks or increased demand from the public owing to disease awareness campaigns.

Regulatory environment

Regulation – Pharmaceuticals

GSK operates within a highly regulated environment. Regional and country-specific laws and regulations define the data required to show safety and efficacy of pharmaceutical products, as well as govern testing, approval, manufacturing, labelling and marketing of drugs. These regulatory requirements are a major factor in determining whether a marketable product may be successfully developed and the amount of time and expense associated with this development.

In Europe, pharmaceutical firms and regulators are managing a transition following the implementation of new medicines legislation at the end of 2005. Significant changes are being implemented including approval procedures, post marketing requirements, manufacturing controls, labelling requirements, pharmacovigilance processes and an increased emphasis on transparency of regulatory processes.

The climate of change is set to continue, with the finalisation of a new Paediatric Regulation at the end of 2006. This Regulation is aimed at stimulating industry research into paediatric indications, via intellectual property incentives. Implementation activities will continue during 2007/08, and the new provisions will become operational in 2008.

The EU Commission is championing a 'Better Regulation' initiative to cut red tape and over-regulation of Industry. GSK is actively supporting this initiative and a similar one in the UK. For example in the UK, GSK has made 50 wide ranging better regulation proposals to the government, covering significant areas of interest to the Group. Many have been positively received and some are being considered for incorporation into new regulations.

In the USA, the safety of prescription drugs remains a primary focus of the FDA and congressional oversight committees are evaluating the ability and resourcing of the FDA to continue to provide this important role. New safety-related legislation has been proposed by Congress which may be enacted in 2007, with likely impact on the pharmaceutical industry. As in Europe, evaluation of benefit and risk continues to be an important consideration for approval of a new drug by the FDA.

The FDA is in the second year of its Critical Path Initiative to facilitate innovation in drug development. New tools and processes such as pharmacogenomics, surrogate markers of efficacy and manufacturing innovations are being pursued to enhance development of safe and effective drugs. The pharmaceutical industry, including GSK, is collaborating with the FDA and National Institutes of Health in a number of these areas, including evaluation of new biomarkers.

The US government is making information about the benefits and risks of prescription drugs more readily available via the Internet, including the full prescribing information which is posted within one day of approval. GSK is now providing product labelling to the FDA in an electronic format which allows easier access to the key details in the prescribing information.

GSK is well placed to manage effectively these changes in the external regulatory environment.

Price controls

In many countries the prices of pharmaceutical products are controlled by law. Governments may also influence prices through their control of national healthcare organisations, which may bear a large part of the cost of supplying products to consumers.

Recent government healthcare reforms in countries such as France, Spain and Germany may restrict pricing and reimbursement.

In the USA, recent legislation on healthcare reform, cross-border trade, the acceleration of generics to market and increased patient contributions have further increased the focus on pricing. Currently, there are no government price controls over private sector purchases, but federal law requires pharmaceutical manufacturers to pay prescribed rebates on certain drugs in order to be eligible for reimbursement under Medicaid and other federal healthcare programmes.

Medicare

In 2006, the US Medicare program, a federally funded healthcare insurance program benefiting senior citizens and certain disabled Americans, included coverage for prescription medicines. This is a new benefit under the Medicare program and the most dramatic change in the program since its inception in the 1960s. The coverage is voluntary, includes brand-name and generic drugs and is open to the 41 million Americans with Medicare coverage.

A number of competing private organisations provide the new benefit with premiums subsidised by the government. Benefits must satisfy a minimum standard outlined in federal law. While the law provides incentives for manufacturers to negotiate prices with private plans, it does not provide for government price controls. The government provides additional help to more than 14 million people on Medicare with limited incomes and resources. Those qualifying beneficiaries pay no or reduced premiums and deductibles, and low copayments for their prescriptions.

Value for money

Payers around the world are concerned about the cost of healthcare and the pricing of medicines. The requirement to satisfy healthcare purchasers on value for money is becoming an additional hurdle for product acceptance over and above the regulatory tests of safety, efficacy and quality.

While it is appropriate for payers to seek value for money when purchasing medicines, this often translates into cost-containment measures that delay patient access to new medicines and make it difficult even for significantly improved therapies to achieve a price that reflects added value. Healthcare budgets could be managed in a more strategic and long-term manner. Focus should shift to value not cost and pricing should reflect value. Value should be defined broadly. What matters is whether a medicine works and responds to medical and patient needs. If so, it should be rewarded appropriately.

Regulatory environment

continued

Payers must also allocate their resources efficiently to provide the best health outcomes. Attention should be focused in three areas: prevention, innovation and better management of chronic diseases. As part of this triple solution, innovative medicines and vaccines will play a key role by preventing, or providing better treatments for expensive diseases such as cervical cancer, breast cancer, asthma, Alzheimer's and diabetes.

It is not possible to predict whether and to what extent, the Group's business will be affected by future legislative and regulatory developments relating to specific pharmaceutical products or their price.

Regulation – Consumer Healthcare

The consumer healthcare industry is subject to national regulation for the testing, approval, manufacturing, labelling and marketing of products. In many countries, high standards of technical appraisal involve a lengthy approval process before a new product is launched.

National regulatory authorisation is also required to approve the switch of products from prescription to OTC. The requirements include long-term experience of the quality, safety and efficacy of the product in a wide patient population and data to confirm that the relevant condition is both self-limiting and easily diagnosed by the consumer.

Intellectual property

Intellectual property is a key business asset for GSK. The effective legal protection of intellectual property is critical in ensuring a reasonable return on investment in R&D. Intellectual property can be protected by patents, trademarks, registered designs, copyrights and domain name registrations.

Certain markets, including the USA, the EU and Canada also provide a period of regulatory data exclusivity to qualifying drugs which are new chemical entities or which are new formulations or uses of marketed drugs. Manufacturers of generic drugs may, following any period of data exclusivity, launch, or attempt to launch, generic versions of patented drugs prior to normal patent expiry, arguing that the relevant patents are invalid and/or are not infringed by their product. Significant litigation concerning these challenges is summarised in Note 43 to the financial statements, 'Legal proceedings'.

Patents

GSK's policy is to seek to obtain patent protection on all protectable inventions discovered or developed through its R&D activities. Patent protection for new active ingredients is available in most significant markets, and protection can also be obtained for example for new pharmaceutical formulations, manufacturing processes, medical uses and special devices for administering products. Patents protecting new active ingredients are generally applied for early in the development process. Since the term of a patent in most countries is a set period from the filing date, typically 20 years, the effective term depends on how long a product is in development before launch. This leads to a variation in patent term on a product by product basis, although in a number of markets, including the USA and Europe, it is possible in certain circumstances to obtain a partial restoration of patent term to compensate for the length of the development process.

The patent position with respect to the active ingredients in significant products is as follows:

Avandia and *Avandamet*. The patent on rosiglitazone is not due to expire until 2012[a,c] (USA) and 2013[b] (Europe). Patents on the commercial form of the active ingredient rosiglitazone maleate are not due to expire until 2015 (USA) and 2014[b] (Europe). Litigation challenging the validity of the patents protecting these products is ongoing in the USA[e].

Avodart. The patent on dutasteride is not due to expire until 2015[a] (USA) and 2017[b] (Europe).

Boniva. The patent on ibandronate is not due to expire until 2012[a,b] (USA and Europe).

Combivir. The patent on the specific combination of lamivudine and zidovudine is not due to expire until 2012 (USA) and 2013[b] (Europe).

Coreg. GSK is the exclusive licensee under the US patent on carvedilol, which is due to expire in 2007[a,c].

Epivir. The patent on lamivudine is not due to expire until 2010[a,c] (USA) and 2011[b] (Europe).

Imigran/Imitrex. The patent on sumatriptan is not due to expire until 2009[c] (USA) and has expired in Europe (except Cyprus (2007), Italy and Switzerland (2008)). Litigation challenging the validity of the patent protecting this product in the USA has been settled[e].

Lamictal. The patent on lamotrigine is not due to expire until 2009[a,c] (USA). Litigation challenging the validity of this patent in the USA has been settled. In Europe, the corresponding patent has expired and generic competition exists.

Levitra[d]. GSK has co-promotion rights under the US patent on vardenafil, which is not due to expire until 2018.

Lexiva/Telzir. GSK is the exclusive licensee under the patent on fosamprenavir, which is not due to expire until 2017 (USA) and 2019[b] (Europe).

Paxil/Seroxat. The patent on the commercial form of paroxetine expired in 2006 in Europe and is due to expire in 2007[c] in the USA. Litigation relating to the validity and infringement of a patent directed to a method of manufacture of paroxetine hydrochloride anhydrate is ongoing in the USA[e]. Generic competition on *Paxil* instant release (*IR*) and oral suspension has commenced in the USA, Europe and certain other markets. *Paxil CR* is protected by a formulation patent that is not due to expire until 2012. A generic manufacturer has applied for FDA approval of a generic form of *Paxil* CR asserting non-infringement of this patent[e].

Requip. The patent on ropinirole is not due to expire until 2007[a] (USA) and 2008[b] (Europe). A patent relating to the use of ropinirole in Parkinson's disease is not due to expire until 2008 (USA) and 2011[b] (Europe). Litigation challenging the validity of the Parkinson's use patent is ongoing in the USA[e].

Seretide/Advair. The patent on the specific combination of salmeterol xinafoate and fluticasone propionate is not due to expire until 2010 (USA) and 2013[b] (Europe). An application for re-issue of the US patent has been allowed by the US Patent and Trademark Office (USPTO)[e]. The UK patent has been revoked by the UK courts. Patents on the individual ingredients have expired in the UK. In the USA, the patent on salmeterol xinafoate does not expire until 2008.

Regulatory environment

Serevent. The patent on salmeterol xinafoate is not due to expire until 2008 in the USA. In Europe, the patent has expired, except France (2008[b]) and Italy (2009[b]).

Trizivir. The patent on the method of treatment using a combination of lamivudine, zidovudine and abacavir does not expire until 2016 (USA) and 2016 (Europe).

Valtrex. The patent on valaciclovir is not due to expire until 2009[a] (USA) and 2009[b] (Europe, except Greece and Spain 2008). Litigation challenging the validity of the patent in the USA[e] is ongoing.

Wellbutrin SR, *Wellbutrin XL* and *Zyban*. The patent on the active ingredient has expired. There is now generic competition for the sustained release (*SR*) and instant release (*IR*) forms in the USA, and generic competition for the 300mg dosage form of *Wellbutrin XL* commenced in the USA in December 2006. In Europe, regulatory data exclusivity provides protection until 2009 in some markets. Litigation is ongoing in the USA relating to formulation patents covering *Wellbutrin XL* that expire in 2018[e].

Ziagen. The patent on abacavir is not due to expire until 2012[a,c] (USA) and 2014[b] (Europe).

Zofran. The patent on ondansetron has expired in the USA and Europe, (except France (2007[b]) and Italy (2008[b])). A patent on use in treating emesis expired in 2006. In the USA, generic entry of ondansetron injection and oral solution dosage forms commenced in November 2006 and on tablet and orally disintegrating tablet dosage forms in December 2006. Generic competition has also now commenced in a number of countries in Europe.

a) Including granted or pending patent term restoration under the Hatch-Waxman Act
b) Including granted or pending extension of term by national or European supplementary protection certificates
c) Including granted or pending extension of term for paediatric exclusivity
d) A registered trademark of Bayer AG
e) See Note 43 to financial statements 'Legal proceedings'

All of GSK's pharmaceutical products are protected by registered trademarks in major markets. There may be local variations, for example, in the USA the trademark *Paxil* is used instead of *Seroxat* and *Advair* is used instead of *Seretide*.

Trademark protection may generally be extended for as long as the trademark is used by renewing it when necessary. GSK's trademarks on pharmaceutical products are important for maintaining the brand identity of the product upon expiration of the patent.

The Consumer Healthcare trademarks are particularly important, as the business is very brand orientated and many products do not have patent protection.

Environment, health and safety (EHS) is a key element of corporate responsibility for the Group and has a high priority. Responsibility for EHS is at the highest level. There is a corporate group reporting to the General Counsel that has overall responsibility for providing governance and leadership on EHS issues. The head of this group makes regular reports to the Corporate Executive Team (CET) and the Audit and Corporate Responsibility Committees of the Board. Within the businesses operations managers are responsible for EHS and are supported by site-based EHS and occupational health staff.

GSK has a strategic planning process for EHS that looks forward 10 years but is reviewed every year. The plan is aligned with the GSK business drivers and includes management objectives with performance measures and targets. In 2006, GSK's progress in the first five years of the EHS Plan for Excellence was evaluated and a 10 year plan extending to 2015 was developed.

The first five years had focused on establishing the fundamentals and preparing programmes that would contribute to the environmental sustainability of the business. Successes in 2006 included greater integration of EHS into the manufacturing planning process, introduction of EHS directors in manufacturing executive teams, establishment of new performance targets, establishment of new targets for audit scores, that will be the same for GSK's own manufacturing sites and contract manufacturers, publication of positions on pharmaceuticals in the environment, the selection of hazardous chemicals in manufacturing and energy conservation. The next phase of the plan strengthens the focus on operational efficiency and renews the commitment to stakeholder engagement. The three aspirations for 2006 to 2015 are embedding EHS in the business, environmental sustainability and open and transparent stakeholder relations.

The plan provides an area of special focus each year. In 2006, the focus was on embedding EHS in the business, making EHS an integral part of GSK's business processes and continuous improvement culture with the participation of all employees. The goal is to develop a culture where every employee is mindful of the importance of safe working and protecting the environment. While this was the 2006 focus it will take more than one year to accomplish.

Part of embedding EHS in GSK meant each business developed its own plan for moving EHS forward based on its own risks and opportunities. Some accomplishments against the objectives that contributed to the overall focus were:

- to reduce the need for respiratory protective equipment occupational hygiene monitoring data were utilised to focus attention on the processes in most need of improvement

  to improve the efficiency of manufacturing processes it was agreed that all new products launched from 2006 to 2010 will be evaluated using green chemistry tools with a target to double the manufacturing efficiency, which will result in waste per tonne of product from new processes being reduced by half in comparison to existing processes

- to improve EHS management systems a target was set to improve audit scores and all pharmaceutical manufacturing sites will be required to be certified to ISO 14001 and OHSAS 18001 by 2010

- to minimise EHS risks arising from new product introduction and process changes EHS requirements and sustainability principles were incorporated into the product development process

- to improve EHS performance of R&D processes novel technologies will be explored.

As part of its governance responsibility, GSK conducts EHS audits of its sites, assessing performance against the EHS standards and assigning quantitative performance scores. In 2006, 32 sites were audited, 12 of these achieved audit scores of 80% or better. No site scored less than 50%. As part of the continuous improvement process, progress was monitored on actions arising from issues raised on all audits.

As part of the commitment to corporate responsibility and the pro-active management of the GSK manufacturing and supply base, 36 suppliers were also assessed, representing about 10% of priority suppliers. This process evaluated the management of key EHS risks and impacts, as well as human rights issues, based on the Group's requirements for priority suppliers. Recommendations were made for improvements where needed.

As part of the EHS plan, targets are set every five years. 2006 was the baseline year for the next group of five-year targets. In the 2005 EHS report achievements against the targets for 2001-2005 were reported.

Progress towards meeting the targets for 2006-2010 will be tracked every year. Final data for 2006 will be published on the website www.gsk.com.

GSK selected its measures of performance improvement based on the potential for adverse impact on people or the environment, business continuity or business reputation. Most of the measures selected are similar to those reported by other companies and are recommended by the Global Reporting Initiative, a long-term, multi-stakeholder, international undertaking, to develop and disseminate globally applicable sustainability reporting guidelines. Targets have been set to eliminate CFCs from all uses by 2010 and each year to reduce energy use and non-hazardous waste disposed by 1%, reduce water use and Volatile organic compound (VOC) releases by 2% and reduce chemical oxygen demand of wastewater by 3%. All targets are normalised by sales.

The performance in 2006 was:

- CFC emissions from patient use of inhalers down 36% per £ sales
- volatile organic compound emissions down 22% per £ sales
- chemical oxygen demand in wastewater down 21% per £ sales
- non-hazardous waste disposed down 15% per £ sales
- energy use down 8% per £ sales
- water use down 5% per £ sales.

In the work towards sustainability, GSK is addressing the economic, environmental and social issues in research, manufacturing, sales and distribution of its medicines. Sustainability starts with healthcare solutions found by R&D and continues with sustainable solutions in manufacturing and sales. R&D is considering improving operational efficiency for new products. In the future, the EHS plan for excellence proposes investigating the use of renewable resources. The Group seeks dialogue with external stakeholders and considers their views when developing approaches to sustainable development. More information on EHS programmes and performance may be found on the GSK website.

World Market

The global economy remained relatively robust in 2006, with positive growth in many markets such as the USA and China. World Gross domestic product growth was estimated at 3.9%, up from 3.5% in 2005. Analysts expect it to fall back in 2007 and towards the end of 2006, the OECD trimmed its 2007 global growth forecast to 2.5%, the lowest rate since 2003.

Equity markets rose during 2006 and concerns regarding inflation started to recede as the year progressed only to return in some regions later in the year. Global oil prices hit $78-a-barrel highs in mid-July following the crisis between Israel and Lebanon. As 2006 closed oil fell towards the $60 mark, a level around which many analysts feel it will trade through 2007, barring unforeseen events.

In the USA, GDP growth slipped from a two year high of 5.5% in the first quarter of 2006 to 2.2% in the fourth quarter. This performance was impacted to a significant extent by a weakening housing market and a drop in new housing starts that is expected to continue throughout 2007. During 2006, US interest rates rose from 4.29% to 5.25%, the seventeenth rise in two and half years. In December, the US dollar fell to its lowest level for almost two years against the Euro and a 14-year low against Sterling. In 2007, the US economy is expected to experience a soft-landing rather than a major slowdown, with growth predicted to be in a range 2.5% to 3%.

After its rapid expansion in 2004 and 2005, the Chinese economy grew by over 10% in 2006, while India reported growth of 9.1%. India's Sensex Index gained 46% in value while Japan's Nikkei 225 Index moved ahead by 7% for the year. Japan is currently experiencing the longest period of uninterrupted growth since the Second World War, reporting GDP growth of 3.8% at the year-end.

Eurozone interest rates began the year at 2.25% before rising in five separate steps to 3.5% at the year end. Economic growth was 3.3% across the continent, up from 1.4% in 2005. Germany expanded by 3.7%, France by 2% and Spain by 4.0%. In the UK, interest rates rose to 5% in November, with the FTSE 100 gaining almost 11% in 2006. Economic growth was 2.7%, with the Treasury and the Bank of England expecting growth of more than 3% in 2007.

Exchange

The currencies that most influence the Group's results are the US dollar, the Euro and the Japanese Yen.

In 2006, the US dollar fell by 14% against the pound, to $1.96 at the year-end. The year-end rates for the Euro weakened by 1% and the Japanese Yen by 15% against Sterling.

Global pharmaceutical sales increased by 8% in 2006 to £328 billion.

World market by geographic region	Value £bn	% of total	Growth £%
USA	145.0	44	9
Europe	92.8	28	6
France	17.6	5	4
Germany	16.6	5	3
UK	10.8	3	3
Italy	10.5	3	7
Japan	31.3	10	(3)
Asia Pacific	23.3	7	14
Latin America	15.9	5	21
Middle East, Africa	11.3	3	13
Canada	8.3	3	19
Total	327.9	100	8

Growth in the US market has increased to 9%, but it still represents 44% of the global prescription pharmaceutical market compared with 30% a decade ago.

At 30th September 2006, GSK held second position in the world pharmaceutical market with a market share of 6.3%, behind Pfizer with a market share of 8%. GSK had six of the world's top 60 pharmaceutical products. These were *Avandia*, *Lamictal*, *Seretide/Advair*, *Valtrex*, *Wellbutrin* and *Zofran*.

World market – top five therapeutic classes	Value £bn	% of total	Growth CER%	Growth £%
Cardiovascular	54.5	17	6	7
Central nervous system	54.0	16	7	8
Alimentary tract and metabolic	39.8	12	7	9
Anti-infectives (bacterial, viral and fungal) excluding vaccines	33.2	10	1	3
Respiratory	21.7	7	5	6

(Note: data based on 12 months to 30th September 2006.)

Products and competition

Pharmaceutical products

GlaxoSmithKline's principal pharmaceutical products are currently directed to eight main therapeutic areas. An analysis of sales by these therapeutic areas, and a description of the principal products, are set out below:

Turnover by therapeutic area	2006 £m	2005 £m	2004 £m
Respiratory	**4,995**	5,054	4,394
Central nervous system	**3,642**	3,219	3,462
Anti-virals	**2,827**	2,598	2,359
Metabolic	**1,875**	1,495	1,251
Vaccines	**1,692**	1,389	1,194
Cardiovascular and urogenital	**1,636**	1,331	932
Anti-bacterials/anti-malarials	**1,369**	1,519	1,547
Oncology and emesis	**1,069**	1,016	934
Other	**973**	1,040	1,027
	20,078	18,661	17,100

Products and all their formulations may not be approved for all indications in all markets where they are available.

Seretide/Advair, a combination of *Serevent* and *Flixotide*, offers a long-acting bronchodilator and an anti-inflammatory in a single inhaler. It is approved for the treatment of asthma and COPD.

Flixotide/Flovent and *Becotide/Beclovent* are inhaled steroids for the treatment of inflammation associated with asthma and COPD.

Serevent is a long-acting bronchodilator used to treat asthma and COPD, and *Ventolin* is a selective short-acting bronchodilator used to treat bronchospasm.

Flixonase/Flonase and *Beconase* are steroid intra-nasal preparations for the treatment of perennial and seasonal rhinitis.

Seroxat/Paxil is a selective serotonin re-uptake inhibitor (SSRI) for the treatment of major depressive disorder, panic, obsessive compulsive disorder, post traumatic stress disorder, social anxiety disorder, and generalised anxiety disorder. A controlled release formulation, *Paxil CR*, is also available in the USA.

Wellbutrin is an anti-depressant, available in the USA and some international markets in normal, sustained-release (SR) and once-daily (*XL*) formulations.

Imigran/Imitrex is a 5HT1 receptor agonist used for the treatment of severe or frequent migraine and cluster headache and has become the reference product in this sector. *Naramig/Amerge* is also a 5HT1 receptor agonist indicated for the treatment of migraine.

Lamictal, a well established treatment for epilepsy, is also indicated for bipolar disorder.

Requip is a specific dopamine D2/D3 receptor agonist indicated for the treatment of Parkinson's disease and Restless Legs Syndrome (RLS).

Combivir, a combination of *Retrovir* and *Epivir*, has consolidated the position of these two reverse transcriptase inhibitors as the cornerstone of many multiple anti-HIV product regimens. Physician acceptance has clearly demonstrated the value placed on minimising the pill burden faced by patients.

Ziagen is a reverse transcriptase inhibitor. The product's potency, ease of use and resistance profile allow it to play a significant role in a variety of highly active, well tolerated and simplified HIV treatment regimens.

Trizivir is a combination of *Combivir* and *Ziagen*, combining three anti-HIV therapies in one tablet, for twice daily administration.

Epzicom/Kivexa, approved for use in the USA and Europe, is a combination of *Epivir* and *Ziagen* that is taken as one tablet with once-daily dosing for HIV/AIDS in combination with at least one other anti-HIV drug.

Lexiva/Telzir is a protease inhibitor for the treatment of HIV that is well tolerated and more convenient than *Agenerase*, which it supersedes. *Lexiva* may be taken twice daily or once daily when boosted with ritonavir.

Zeffix has been approved for marketing in the USA, Europe, China and other markets for the treatment of chronic hepatitis B.

Valtrex is a treatment for episodic genital herpes as well as the long term suppression and reduction of transmission of genital herpes, zoster (shingles), cold sores and chicken pox. *Valtrex* supersedes *Zovirax*, which is also used to treat herpes infections.

Avandia is a potent insulin sensitising agent which acts on the underlying pathophysiology of type 2 diabetes.

Avandamet is a combination of *Avandia* and metformin HCl, it is the first medicine that targets insulin resistance and decreases glucose production in one convenient pill.

Avandaryl is a combination of *Avandia* and Amaryl, a Sanofi-Aventis product. *Avandaryl* targets insulin resistance and stimulates pancreatic insulin production.

Bonviva/Boniva is a long-acting bisphosphonate available in once-monthly oral and quarterly injection forms for the treatment of osteoporosis.

GSK markets over 30 vaccines worldwide, of which more than half are combination vaccines to protect children, adolescents and/or adults against up to six diseases at the same time.

Infanrix is GSK's range of paediatric vaccine combinations. *Infanrix* provides protection against diphtheria, tetanus and pertussis (whopping cough). *Infanrix penta* (Europe)/*Pediarix* (USA, Canada) provides additional protection against hepatitis B and polio, and *Infanrix hexa* further adds protection against Haemophilus influenzae type b, which is a cause of meningitis. In the USA, *Boostrix* is available to add protection against pertussis (whopping cough) to the routine tetanus/diptheria booster administered to teenagers.

In GSK's hepatitis vaccines range, *Havrix* protects against hepatitis A and *Engerix-B* against hepatitis B.

Products and competition

Twinrix is the only available combined hepatitis A and B vaccine, protecting against both diseases with one vaccine and available in both adult and paediatric strengths. In Europe, *FENDrix*, a vaccine to prevent hepatitis B in patients with renal insufficiency including high-risk groups such as pre-haemodialysis and haemodialysis patients, is available from 15 years of age onwards.

GSK added *Fluviral* to its portfolio of products when it acquired the Canadian vaccine manufacturer ID Biomedical Corporation in December 2005. *Fluviral* is marketed in Canada. In 2006, the same 'flu vaccine was approved by the US Food and Drug Administration (FDA) for the active immunisation of adults 18 years and older against influenza disease under the brand *FluLaval*. *Fluviral* and *FluLaval* add to *Fluarix* GSK's seasonal 'flu vaccine, which is distributed in 79 countries including the USA.

GSK also markets *Priorix*, a measles, mumps and rubella vaccine, *Typherix*, a vaccine for protection against typhoid fever, and *Varilrix*, a vaccine against varicella or chicken pox. *Priorix-Tetra*, GSK's new combination vaccine to prevent measles, mumps, rubella and varicella (MMRV) was first launched in Germany in August 2006. In addition, the Group markets a range of vaccines to prevent meningitis under the umbrella name *Mencevax*. GSK's new Hib-MenC vaccine, *Menitorix* is now available in the UK. GSK's meningitis vaccine portfolio will be complimented by new meningitis conjugate vaccines in the near future.

As part of its paediatric franchise, GSK continued to roll out the launch of its vaccine against rotavirus induced gastroenteritis, *Rotarix* which is now launched in 90 countries worldwide. Rotavirus vaccination has been included in the national vaccination calendar of five Latin American countries where *Rotarix* will be available free at public health clinics, as part of governmental paediatric immunisation programmes.

Coreg is an alpha/beta blocker which has been proven to be effective in treating patients with mild, moderate and severe heart failure, heart attack or hypertension. GSK has sole marketing rights in the USA and Canada. Generic versions of the product are available in Canada.

Levitra is a PDE-5 inhibitor indicated for male erectile dysfunction. GSK has co-promotion rights in the USA and more than 20 other markets.

Avodart is a 5-ARI inhibitor currently indicated for benign prostatic hyperplasia. A large clinical outcome study is underway examining its efficacy in the prevention of prostate cancer.

Arixtra, a selective Factor Xa inhibitor, is indicated for the prophylaxis of deep vein thrombosis, which may lead to pulmonary embolism, in hip fracture surgery, knee replacement, hip replacement surgery and abdominal surgery. It is also indicated for the treatment of deep vein thrombosis and pulmonary embolism.

Fraxiparine is a low-molecular weight heparin indicated for prophylaxis of thromboembolic disorders (particularly deep vein thrombosis and pulmonary embolism) in general surgery and in orthopedic surgery, treatment of deep vein thrombosis and prevention of clotting during hemodialysis.

Integrilin is a GP IIb-IIIa inhibitor, approved in the EU for the prevention of early myocardial infarction in patients with unstable angina or non-Q-wave MI.

Augmentin is a broad-spectrum antibiotic suitable for the treatment of a wide range of common bacterial infections and is particularly effective against respiratory tract infections. *Augmentin ES-600* is an extra strength suspension specifically designed to treat children with recurrent or persistent middle ear infections. *Augmentin XR* is an extra strength tablet form for adults to combat difficult to treat infections.

Ceftin/Zinnat is an oral antibiotic used primarily for community-acquired infections of the lower respiratory tract.

Malarone is an oral anti-malarial used for the treatment and prophylaxis of malaria caused by Plasmodium falciparum.

Lapdap is an effective and well tolerated therapy for the treatment of malaria, which has been developed through a public/private collaboration.

Zofran is used to prevent nausea and vomiting associated with chemotherapy and radiotherapy for cancer, and is available in both oral and injectable forms. It is also approved for use in the prevention and treatment of post-operative nausea and vomiting.

Hycamtin is a second line treatment for ovarian, cervical and small cell lung cancer.

Bexxar is a treatment for patients with CD20 follicular, non-Hodgkin's lymphoma with and without transformation whose disease is refractory to rituximab and who have relapsed following chemotherapy.

Arranon (*nelarabine*) a treatment for patients with T-cell acute lymphoblastic leukaemia and T-cell lymphoblastic lymphoma, received US approval in 2005 and was submitted for European approval in 2006.

This category includes *Betnovate*, the higher potency *Dermovate* and the newer *Cutivate*, which are anti-inflammatory steroid products used to treat skin diseases such as eczema and psoriasis, *Relafen*, a non-steroidal anti-inflammatory drug for the treatment of arthritis, and *Zantac*, for the treatment of peptic ulcer disease and a range of gastric acid related disorders.

Products and competition

The pharmaceutical industry is highly competitive. GSK's principal competitors range from small to large pharmaceutical companies often with substantial resources. Some of these companies and their major products are mentioned below.

Pharmaceuticals may be subject to competition from other products during the period of patent protection and, once off patent, from generic versions. The manufacturers of generic products typically do not bear significant research and development or education and marketing development costs and consequently are able to offer their products at considerably lower prices than the branded competitors. A research and development based pharmaceutical company will normally seek to achieve a sufficiently high profit margin and sales volume during the period of patent protection to repay the original investment, which is generally substantial, and to fund research for the future. Competition from generic products generally occurs as patents in major markets expire. Increasingly patent challenges are made prior to patent expiry, claiming that the innovator patent is not valid and/or that it is not infringed by the generic product. Following the loss of patent protection, generic products rapidly capture a large share of the market, particularly in the USA.

GSK believes that remaining competitive is dependent upon the discovery and development of new products, together with effective marketing of existing products. Within the pharmaceutical industry, the introduction of new products and processes by competitors may affect pricing levels or result in changing patterns of product use. There can be no assurance that products will not become outmoded, notwithstanding patent or trademark protection. In addition, increased government and other pressures for physicians and patients to use generic pharmaceuticals, rather than brand-name medicines, may increase competition for products that are no longer protected by patent.

GSK's respiratory franchise is driven by the growth of *Seretide/Advair*. Major respiratory competitors are Singulair from Merck, especially in the USA, Symbicort from AstraZeneca and Spiriva from Pfizer/Boehringer Ingelheim.

Major competitors in the USA to *Paxil* are its generic forms, as well as generic fluoxetine, the generic form of Eli Lilly's Prozac, generic sertraline, the generic form of Pfizer's Zoloft, Cymbalta from Eli Lilly, Forest Laboratories' Celexa and Lexapro, and Effexor XR from Wyeth. The principal competitors in the USA for *Wellbutrin* are generic forms of bupropion, the generic forms of SSRIs, Lexapro, Effexor XR, and Cymbalta. *Paxil CR* and the once-daily *Wellbutrin XL* help to retain a strong presence in the anti-depressant market, given the availability of both generic paroxetine and bupropion in the USA. Generic competition for *Seroxat/Paxil* has also occurred in a number of other markets.

The major competitors for *Lamictal* in epilepsy are J&J's Dilantin and generic phenytoin, Novartis's Tegretol/Tegretol XR and generic carbamazepine. UCB's Keppra and Abbot's Depakote/Depakote ER. In Bipolar the major competitors are generic Lithium, other anti-epileptics including Abbott's Depakote/Depakote ER and the atypical anti-psychotics including AstraZeneca's Seroquel. The major competitors for *Imitrex/Imigran* are AstraZeneca's Zomig, Merck's Maxalt and Pfizer's Relpax.

GSK is a pioneer in the HIV market, launching AZT (*Retrovir*) in 1987 and *Epivir* in 1995, which today are available as *Combivir* in a single tablet, a cornerstone of HIV combination therapy. The launches of *Ziagen*, *Agenerase*, *Trizivir*, *Lexiva* and *Epzicom* have broadened the Group's portfolio of HIV products. Major competitors in the HIV market include Gilead, Bristol Myers Squibb, Abbott, Roche and Boehringer Ingelheim.

Valtrex has strengthened the Group's position in the anti-herpes area, where GSK's *Valtrex* and *Zovirax* compete with Novartis' Famvir. *Valtrex* is a market leader, whilst *Zovirax* faces competition from generic acyclovir. In the hepatitis B market, GSK's *Zeffix* was the first anti-viral on the market. Gilead's Hepsera was the second. The Group has secured marketing rights to *Hepsera* in some key markets.

The major competitor for *Avandia* is Takeda Chemical's Actos, which is co-promoted with Eli Lilly in the USA. Takeda also market ActoplusMet (a combination of Metformin HCl and Actos) in the USA.

Monthly *Boniva/Bonviva* competes with Merck's weekly Fosamax and Proctor & Gamble/Sanofi-Aventis's weekly Actonel. Generic Fosamax (alendronate) is now available in several EU markets including UK and Germany, and also in Canada.

The vaccine market is dominated by five key players. GSK's major competitors include Sanofi Pasteur (SP), Merck, Novartis and Wyeth. Within the paediatric vaccine field, *Infanrix's* main competitor is SP's range of DTPa-based combination vaccines, although the *Infanrix hexa* combination is the only available hexavalent paediatric combination in Europe.

GSK markets *Coreg* in the USA where its major competitors are Toprol XL and generic betablockers. *Avodart* competes directly with Merck's Proscar within the BPH market. The Group has co-promotion rights in the USA for *Levitra*, which faces competition from Pfizer's Viagra and Lilly's Cialis.

Generic versions of both *Augmentin* and *Ceftin/Zinnat* are available in the USA. *Augmentin* also faces generic competition in various European countries. *Augmentin XR* and *Augmentin ES* compete against a broad range of other branded and generic antibiotics. *Malarone's* safety profile and convenient dosing regimen have helped put this product in a strong position versus mefloquine for malaria prophylaxis.

Zofran provided GSK with a leadership position in the anti-emetic market where competitor companies include Roche, Sanofi-Aventis and more recently MGI and Merck. Generic competitors became available late in 2006. *Zofran* now has full generic competition in the USA. Major competitors in the diverse cytotoxic market include Bristol Myers Squibb, Sanofi-Aventis, Novartis and Roche/Genentech. GSK's cytotoxic portfolio, led by *Hycamtin*, currently holds a relatively small market position.

Products and competition

GlaxoSmithKline's principal consumer healthcare products are in three major areas. An analysis of sales by these areas is set out below:

	2006 £m	2005 £m	2004 £m
OTC medicines	**1,496**	1,437	1,400
Oral care	**993**	943	913
Nutritional healthcare	**658**	619	573
	3,147	2,999	2,886

Major products, which are not necessarily sold in all markets, are:

Category	Product
Analgesics	*Panadol*
Dermatologicals	*Zovirax*
	Abreva
External nasal dilators	*Breathe Right*
Gastro-intestinal	*Tums*
	Citrucel
Respiratory tract	*Contac*
	Beechams
Smoking control	*Commit*
	Nicorette
	NicoDerm CQ
	NiQuitin CQ
	Nicabate CQ
Natural wellness support	*Abtei*
	Aquafresh
	Dr Best
	Macleans
	Odol
	Odol Med 3
	Polident
	Poligrip
	Sensodyne
Nutritional healthcare	*Lucozade*
	Ribena
	Horlicks

The leading products are *Panadol*, a widely available paracetamol/acetaminophen analgesic, *Nicorette* gum in the USA, the *NicoDerm*, *NiQuitin CQ* and *Nicabate* range of smoking control products, *Tums*, a calcium-based antacid, *Citrucel* laxative, *Contac* for the treatment of colds, *Abtei*, a natural medicines and vitamin range, and *Zovirax* and *Abreva* for the treatment of cold sores. In December 2006, the company acquired *Breathe Right* nasal strips that gently lift open nasal passages to provide better breathing, and *FiberChoice* daily fibre supplements, through the acquisition of CNS, Inc.

GSK's portfolio will be strengthened further in 2007 with the US launch of *alli*, a new treatment for weight-loss.

The leading Oral care products are toothpastes and mouthwashes under the *Aquafresh*, *Odol*, *Sensodyne* and *Macleans* brand names, and a range of toothbrushes sold under the *Aquafresh* and *Dr Best* names. In addition, denture care products are available principally under the *Polident*, *Poligrip* and *Corega* brand names.

The leading products in this category are *Lucozade* energy and sports drinks, *Ribena*, a blackcurrant juice-based drink, and *Horlicks*, a range of milk-based malted food and chocolate drinks.

GSK holds leading global positions in all its key consumer product areas. Worldwide it is the third largest in Oral care and in OTC medicines. In Nutritional healthcare it holds the leading position in the UK, India and Ireland.

The environment in which the Consumer Healthcare business operates has become ever more challenging:

- consumers are demanding better quality, better value and improved performance
- retailers have consolidated and globalised which has strengthened their negotiation power
- manufacturers are consolidating, leading to more aggressive competition across all elements of the marketing mix
- cycle times for innovation have reduced.

The main competitors include the major international companies Colgate-Palmolive, Johnson & Johnson, Procter & Gamble, Unilever and Wyeth. In addition, there are many other companies that compete with GSK in certain markets.

The major competitor products in OTC medicines are:

- in the USA: Metamucil (laxative), Pepcid (indigestion) and private label smoking control products
- in the UK: Lemsip (cold remedy), Nurofen and Anadin (analgesics), and Nicorette and Nicotinell (smoking control treatments).

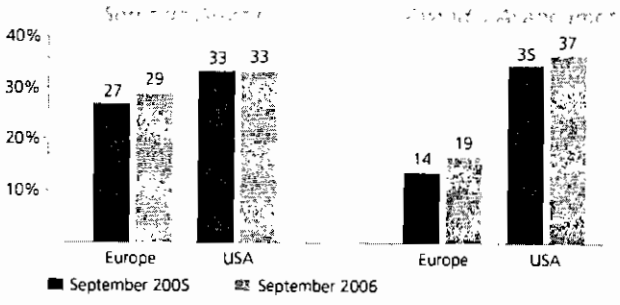
In Oral care the major competitors are Colgate-Palmolive's Colgate and Procter & Gamble's Crest.

In Nutritional healthcare the major competitors to *Horlicks* are Ovaltine and Milo malted food and chocolate drinks. The competitors to *Ribena* are primarily local fruit juice products, while *Lucozade* competes with other energy drinks.

All growth rates included in the review of turnover are at constant exchange rates (CER) unless otherwise stated. The sterling growth rates may be found in the tables of pharmaceutical turnover by therapeutic area on page 32 and by geographic region on page 33. Total pharmaceutical turnover in 2006 was £20,078 million compared with £18,661 million in 2005, an increase of 9% CER. Within the Group's portfolio, turnover of new products first launched in a major market within the last five years accounted for 27% (2005 – 24%) of total turnover and grew by 20% to £5,333 million (2005 – £4,478 million). Turnover of the more established, franchise products amounted to £11,709 million (2005 – £10,933 million), representing 58% of total turnover, and increased 9% compared with last year. Turnover of older products, now less actively promoted, was £3,036 million (2005 – £3,250 million), representing 15% of total turnover, and declined by 5%. In sterling terms total pharmaceutical turnover increased 8%, 1% less than CER due principally to the strength of Sterling against major International currencies.

GSK's ability in 2006 to deliver continued pharmaceutical turnover growth was primarily due to an exceptionally broad product portfolio of high-value growth products coupled with sales and marketing excellence. These growth products include *Seretide/Advair*, the *Avandia* product group, Vaccines, *Lamictal*, *Valtrex*, *Coreg*, *Requip*, *Avodart* and *Boniva*.

GSK continues to be the global leader in respiratory pharmaceuticals with sales of its three key products, *Seretide/Advair*, *Flixotide/Flovent* and *Serevent* amounting to £4.3 billion, up 9%. Total sales of *Seretide/Advair*, for asthma and COPD, rose 11% to £3.3 billion. In the USA, sales grew 13% to £1.9 billion. In Europe, sales grew 10% to £1.1 billion and in International markets, sales grew 9% to over £300 million. Market share by value in the anti-asthma and COPD therapy class was 29% in Europe and 33% in the USA, an increase of 2 percentage points in Europe and a flat market share growth in the USA (reflecting lower prescription volumes due to a label change in early 2006 that restricted GSK's ability to promote the product, offset by favourable pricing changes).



The positive results of the TOwards a Revolution in COPD Health (TORCH) study, the largest of its kind, were filed with regulators early in 2007 and in February were published in the 'New England Journal of Medicine'. The results of the three year study, sponsored by GSK, showed important benefits of *Seretide* in the treatment of patients with COPD.

CNS sales increased 15% to £3.6 billion. Sales increased in the USA and International, but declined in Europe due to generic competition. Total *Seroxat/Paxil* sales grew 4% to £620 million, due to strong growth of *Paxil CR* in the USA and *Paxil IR* in Japan partly offset by generic competition to *Paxil IR* in Europe.

Total *Wellbutrin* sales grew 24% to £900 million. Sales of *Wellbutrin XL*, a once-daily product, grew 25% to £798 million. In December 2006, generic competition to the *Wellbutrin XL* 300mg tablet (approximately 60% of *Wellbutrin* sales) entered the US market.

Sales of *Lamictal*, for the treatment of epilepsy and bipolar disorder, grew 19% to just under £1 billion, benefiting from its new indication to treat one of the most serious forms of epilepsy – primary generalised tonic-clonic seizures. *Lamictal* is also the only medicine with long-term clinical data that demonstrates that it can delay the onset of depressive episodes of bipolar disorder. In November, GSK submitted *Lamictal XR*, a new once daily treatment, to the FDA for treatment of epilepsy. The company intends to present data on *Lamictal XR* at the American Academy of Neurology meeting in April 2007.

Sales of *Requip*, for Parkinson's disease and Restless Legs Syndrome (RLS), grew 74% to £268 million and, in December, the FDA accepted GSK's file for approval of the new formulation *Requip CR*.

Total sales of HIV products were £1.5 billion, down 1%. Competition to older products, *Combivir* down 9% to £528 million and *Epivir* down 21% to £202 million, was mostly offset by strong sales growth of new products *Epzicom/Kivexa* which more than doubled to £241 million and *Lexiva/Agenerase* up 18% to £131 million.

Sales of *Valtrex*, rose 24% to £845 million, with US sales up 30% to £600 million driven by patients switching to suppression therapy.

GSK launched *Avandia* for the treatment of type 2 diabetes in 1999 and a combination product, *Avandamet*, for blood sugar control in 2002. The product group was expanded further in February 2006 with the launch in the USA of a fixed-dose combination treatment, *Avandaryl*, which combines *Avandia* with a sulfonylurea.

In 2006, sales of the *Avandia* product group grew 24% to £1.2 billion in the USA. In Europe, sales grew 39% to £217 million driven by the increasing use of *Avandamet*. Sales in International markets rose 17% to £234 million. The *Avandia* product group achieved in 2006 a market share by value in oral anti-diabetics of 37% in the USA and 19% in Europe, up 2 and 5 percentage points, respectively. In the USA, *Avandamet* prescription volume growth was adversely impacted by product supply issues during the year which have now been resolved.

In December, GSK presented data from the landmark ADOPT study, which demonstrated that *Avandia* is more effective than metformin, or a sulphonylurea, in long-term blood sugar control in type 2 diabetes. These data are in addition to those recently presented from the DREAM study, which showed that *Avandia* can reduce the risk of progression to type 2 diabetes. Data from both these studies are expected to be filed with regulatory agencies during the first half of 2007.

GSK recorded in turnover a £95 million share of co-promotion income for *Boniva/Bonviva*, a new once-monthly oral bisphosphonate for the treatment of postmenopausal osteoporosis, which was developed with Roche, and launched in 2005.

Financial review 2006

cont'd

Therapeutic area/ major products	% of total	2006 £m	2005 £m	Total Growth CER%	Total Growth £%	USA 2006 £m	USA Growth CER%	USA Growth £%	Europe 2006 £m	Europe Growth CER%	Europe Growth £%	International 2006 £m	International Growth CER%	International Growth £%
Respiratory	27	**4,995**	5,054	**–**	**(1)**	**2,461**	**(3)**	**(5)**	**1,697**	**3**	**2**	**837**	**4**	**3**
Seretide/Advair		3,313	3,003	11	10	1,870	13	11	1,133	10	10	310	9	10
Flixotide/Flovent		659	638	5	3	298	16	14	173	(8)	(8)	188	2	–
Serevent		291	330	(10)	(12)	86	(16)	(17)	140	(13)	(13)	65	5	(2)
Flixonase/Flonase		311	656	(52)	(53)	184	(63)	(64)	51	(15)	(15)	76	(14)	(16)
Central Nervous System	17	**3,642**	3,219	**15**	**13**	**2,588**	**28**	**26**	**595**	**(15)**	**(15)**	**459**	**2**	**(1)**
Seroxat/Paxil		620	615	4	1	175	35	32	149	(20)	(20)	296	5	–
Paxil IR		448	488	(5)	(8)	19	11	6	149	(20)	(20)	280	4	(1)
Paxil CR		172	127	37	35	156	38	36	–	–	–	16	25	33
Wellbutrin		900	739	24	22	882	24	22	2	–	–	16	7	14
Wellbutrin IR, SR		102	92	12	11	89	14	11	2	–	–	11	–	10
Wellbutrin XL		798	647	25	23	793	25	23	–	–	–	5	25	25
Imigran/Imitrex		711	697	3	2	551	11	9	118	(18)	(18)	42	(12)	(14)
Lamictal		996	849	19	17	765	37	35	175	(22)	(23)	56	2	2
Requip		268	156	74	72	176	>100	>100	81	21	19	11	25	38
Anti-virals	14	**2,827**	2,598	**10**	**9**	**1,354**	**7**	**5**	**855**	**11**	**11**	**618**	**16**	**14**
HIV		**1,515**	1,554	**(1)**	**(3)**	**700**	**(7)**	**(9)**	**621**	**3**	**2**	**194**	**8**	**7**
Combivir		528	583	(9)	(9)	238	(14)	(16)	217	(4)	(4)	73	–	–
Trizivir		268	303	(11)	(12)	141	(13)	(15)	113	(7)	(8)	14	(7)	–
Epivir		202	261	(21)	(23)	69	(25)	(26)	90	(26)	(26)	43	(2)	(7)
Ziagen		117	136	(13)	(14)	48	(11)	(13)	41	(24)	(24)	28	4	4
Agenerase, Lexiva		131	112	18	17	74	7	6	48	40	37	9	14	29
Epzicom/Kivexa		241	118	>100	>100	125	49	47	97	>100	>100	19	>100	>100
Herpes		**965**	826	**19**	**17**	**610**	**30**	**28**	**144**	**4**	**4**	**211**	**3**	**–**
Valtrex		845	695	24	22	600	30	28	109	12	11	136	10	7
Zovirax		120	131	(6)	(8)	10	67	67	35	(15)	(15)	75	(7)	(11)
Zeffix		162	145	12	12	13	8	8	23	10	10	126	13	13
Relenza		91	5	>100	>100	–	–	–	62	>100	>100	29	>100	>100
Metabolic	8	**1,875**	1,495	**27**	**25**	**1,277**	**30**	**28**	**252**	**33**	**33**	**346**	**12**	**12**
Avandia		1,399	1,154	23	21	1,068	26	24	125	13	12	206	13	16
Avandamet		204	175	17	17	86	(22)	(24)	92	>100	>100	26	41	53
Avandaryl		42	–	–	–	40	–	–	–	–	–	2	–	–
Bonviva/Boniva		95	18	>100	>100	83	>100	>100	12	>100	>100	–	–	–
Vaccines	8	**1,692**	1,389	**23**	**22**	**465**	**40**	**38**	**709**	**20**	**20**	**518**	**13**	**13**
Hepatitis		479	444	9	8	161	21	18	227	2	2	91	8	10
Infanrix, Pediarix		511	431	29	28	172	20	18	281	40	39	58	12	12
Boostrix		60	29	>100	>100	41	>100	>100	15	88	88	4	67	33
Cardiovascular and urogenital	7	**1,636**	1,331	**24**	**23**	**1,072**	**42**	**40**	**395**	**(4)**	**(5)**	**169**	**13**	**13**
Coreg		779	573	38	36	773	38	36	–	–	–	6	20	20
Levitra		43	40	8	8	41	20	17	1	(75)	(75)	1	–	–
Avodart		216	129	69	67	131	>100	>100	69	25	25	16	67	78
Arixtra		58	24	>100	>100	32	>100	>100	23	>100	>100	3	>100	>100
Fraxiparine		209	211	(1)	(1)	–	–	–	179	–	–	30	(6)	(6)
Anti-bacterials	8	**1,369**	1,519	**(9)**	**(10)**	**217**	**(15)**	**(17)**	**628**	**(12)**	**(13)**	**524**	**(2)**	**(3)**
Augmentin		570	666	(14)	(14)	94	(31)	(32)	268	(15)	(15)	208	–	(1)
Zinnat/Ceftin		164	197	(16)	(17)	12	20	20	82	(27)	(27)	70	(5)	(7)
Oncology & emesis	5	**1,069**	1,016	**7**	**5**	**836**	**12**	**10**	**153**	**(7)**	**(7)**	**80**	**(11)**	**(12)**
Zofran		847	837	3	1	679	8	6	107	(14)	(14)	61	(16)	(18)
Hycamtin		113	99	15	14	72	11	9	34	26	26	7	17	17
Other	6	**973**	1,040	**(5)**	**(6)**	**83**	**19**	**19**	**263**	**(19)**	**(18)**	**627**	**(1)**	**(3)**
Zantac		232	244	(2)	(5)	72	28	24	52	(19)	(19)	108	(7)	(11)
	100	**20,078**	18,661	**9**	**8**	**10,353**	**16**	**14**	**5,547**	**1**	**–**	**4,178**	**6**	**4**

CER% represents growth at constant exchange rates. £% represents growth at actual exchange rates. Turnover by quarter is given in the Financial record on pages 174 to 177.

Overall vaccine sales increased 23% to £1.7 billion, with good performances from all regions: US sales rose 40% to £465 million; European sales grew 20% to £709 million and sales in International were up 13% to £518 million. Key contributors were: *Infanrix/Pediarix*, GSK's combination vaccines for children, with sales up 29% to £511 million; and sales of hepatitis vaccines, which grew 9% to £479 million, benefiting from a strong US performance of *Havrix*, following approval last year for broader paediatric use.

Sales of new vaccines also helped drive overall sales growth. Total sales of *Rotarix*, for rotavirus, *Boostrix*, for prevention of diphtheria, tetanus and whooping cough, and influenza vaccines, *Fluarix/FluLaval*, reached £274 million, up 91%. This was the first full year sales of *FluLaval* following the acquisition of ID Biomedical in late 2005.

Sales of *Zofran* grew 3% to £847 million, driven by the US market, up 8% to £679 million. Europe and International sales declined 14% and 16% respectively due to generic competition. A generic competitor to *Zofran* entered the US market in November 2006.

Sales of *Coreg*, for heart disease, grew 38% to £779 million. *Avodart*, for benign prostatic hyperplasia (enlarged prostate), had a very strong year, with sales increasing 69% to £216 million.

Anti-bacterial sales declined 9% reflecting generic competition and a weaker 'flu season.

Sales of *Zantac* fell 2% to £232 million, with declines in Europe and International partially offset by a 28% growth in the USA.

The turnover reported in the table below represents sales invoiced by GSK's local entity to its customers in the local market plus co-promotion income within each market.

Region/ major markets	% of total	**2006 £m**	2005 £m	CER%	Growth* £%
USA	**52**	**10,353**	9,106	**16**	**14**
Europe	**27**	**5,547**	5,537	**1**	**–**
France		967	975	–	(1)
UK		788	762	3	3
Italy		665	662	1	–
Germany		595	554	8	7
Spain		577	586	(1)	(2)
Other Europe		1,955	1,998	(2)	(2)
International	**21**	**4,178**	4,018	**6**	**4**
Asia Pacific		1,377	1,324	4	4
Japan		860	854	8	1
Middle East, Africa		744	746	3	–
Latin America		714	651	10	10
Canada		483	443	4	9
	100	**20,078**	18,661	**9**	**8**

*CER% represents growth at constant exchange rates £% represents growth at actual exchange rates.

Individual governments determine the pricing of medicines in most countries within Europe, which can result in wide price variations for the same product. Parallel trade occurs when third parties exploit this price differential by purchasing products in markets where low prices are enforced and selling them to governments and other purchasers in those markets where higher prices have been agreed. This parallel trade is permitted under the single market rules in the European Union. GSK does not derive any benefit from the profit on resale at the higher price.

As a result, management believes that within the European region, turnover by market, on an invoiced basis as presented above, does not properly represent the consumption of the products within each market. GSK employees based in each market are instrumental in the promotion of the Group's products within their market, thereby creating a product sale and final consumption in that market.

The following table gives the adjustments made in order to restate the turnover for markets within Europe on a turnover created basis.

	2006			2005		
Region/ major markets	Invoiced £m	Adjustment £m	Created £m	Invoiced £m	Adjustment £m	Created £m
Europe	**5,547**	**–**	**5,547**	5,537	–	5,537
France	967	(66)	901	975	(47)	928
UK	788	101	889	762	91	853
Italy	665	(25)	640	662	(13)	649
Germany	595	71	666	554	57	611
Spain	577	(14)	563	586	(15)	571
Other Europe	1,955	(67)	1,888	1,998	(73)	1,925

These adjustments are GSK's estimates based on the most recent data from independent external sources, valued in Sterling at relevant exchange rates. Management believes that this turnover created basis of reporting turnover by market provides a better reflection of the performance of the businesses in each market within Europe.

The total turnover for the Europe region is unaffected by this restatement.

Parallel trade occurs occasionally elsewhere in the world, but it is not sufficiently material to affect significantly the turnover data by market presented on an invoiced basis.

Financial review 2006

Turnover by market within Europe has been adjusted for the effects of parallel trade to show turnover on the basis of the country where the product is finally consumed, not where the product was sold by GSK.

Region/ major markets	% of total	2006 £m	2005 £m	Growth* CER%	Growth* £%
USA	**52**	**10,353**	9,106	**16**	**14**
Europe	**27**	**5,547**	5,537	**1**	**–**
France		901	928	(2)	(3)
UK		889	853	4	4
Italy		640	649	(1)	(1)
Germany		666	611	10	9
Spain		563	571	(1)	(1)
Other Europe		1,888	1,925	(2)	(2)
International	**21**	**4,178**	4,018	**6**	**4**
Asia Pacific		1,377	1,324	4	4
Japan		860	854	8	1
Middle East, Africa		744	746	3	–
Latin America		714	651	10	10
Canada		483	443	4	9
	100	**20,078**	18,661	**9**	**8**

* CER% represents growth at constant exchange rates. £% represents growth at actual exchange rates. Turnover by quarter is given in the Financial record on pages 174 to 177.

A strong sales performance in the USA, up 16% to £10.4 billion, was the main contributor to total pharmaceutical turnover growth of 9% in 2006.

Advair sales grew 13% to £1,870 million. *Flovent* sales increased by 16%. *Flonase*, indicated for the treatment of perennial rhinitis, declined 63% following the launch of a generic competitor in Q1 2006.

Sales of *Wellbutrin* products grew 24% to £882 million reflecting the performance of *Wellbutrin XL*, a new once-daily product, which grew 25% to £793 million.

Total sales of *Paxil* were up 35% to £175 million largely due to the rectification of supply issues experienced in 2005 at the Cidra plant in Puerto Rico.

Sales in the anti-virals therapeutic area grew 7% with HIV products down 7% and herpes products up 30%. Competition to older products, *Combivir* down 14% and *Epivir* down 25%, was partly offset by the growth of new products *Epzicom/Kivexa* up 49% and *Lexiva* up 7%. *Valtrex*, for herpes, grew 30% to £600m driven by patients switching to suppression therapy.

Sales of the *Avandia* product group increased by 24% reflecting the re-supply of product following supply disruption at the Cidra plant in Puerto Rico in 2005 and price increases.

Vaccines grew 40% reflecting the good performance of *Pediarix* and *Boostrix*, *Fluarix* and the launch of *Flulaval* in 2006.

Coreg sales increased 38% to £773 million as it continued to benefit from its wide range of indications in heart disease. *Zofran* sales increased 8% to £679 million. A generic competitor to *Zofran* entered the market in November 2006.

Anti-bacterial sales declined 15% as a result of generic competition.

The discussion of individual market performance in the Europe region is on a turnover created basis.

Sales in Europe contributed 27% of pharmaceutical turnover and grew 1%, to over £5.5 billion, with strong sales from *Seretide*, *Avandia/Avandamet* and vaccines offsetting the impact of generic competition to a number of products and continued price cuts resulting from government healthcare reforms.

Markets which recorded good growth included Germany, the UK, Central and South/East Europe whilst growth in France, the Netherlands, Poland, Italy and Spain was adversely impacted by pricing and generics.

Major growth drivers were *Seretide*, GSK's largest selling product in Europe, with growth of 10%, *Avandia/Avandamet* which grew 39%, and the vaccines franchise, up 20%. Sales of anti-virals grew 11% primarily due to government orders of *Relenza* as a measure in the event of a potential 'flu pandemic.

Generic competition negatively impacted sales of *Seroxat* down 20%, *Lamictal* down 22%, *Zofran* down 14% and *Imigran*, down 18%. Sales of anti-bacterials decreased 12% due to a combination of a weaker 'flu season than in 2005 and generic competition.

The International region reported year on year turnover growth of 6%. Strong growth in Japan, up 8% (despite the biennial price reductions), China/Hong Kong, up 7% and Latin America, up 10%, was partly offset by modest sales growth of 4% in Canada and 3% in Australia. The Canadian sales performance reflected generic competition for *Imigran* and *Zofran* whilst the Australian business was negatively impacted by Government pricing reforms and generic competition to *Lamictal* and *Paxil*.

The performance in Japan was driven by the sales of *Paxil*, up 15%, *Serevent*, up 16% and Anti-virals, up 8% and the full year impact of *Zyrtec*, an allergy product in-licenced from UCB in 2005. These were partially offset by declines in the older products *Zantac* and *Zovirax*. *Flonase* also declined due to a low pollen season.

Across all markets in International, the key products driving growth were *Seretide*, which grew 9% to record sales of £310 million, the *Avandia* range of products which grew 17% to £234 million, HIV products which grew 8% and the vaccines franchise, which recorded growth of 13% and achieved sales of £518 million.

An analysis of Consumer Healthcare sales is set out in the following table:

	2006 £m	2005 £m	Growth CER%	Growth £%
OTC medicines	**1,496**	1,437	5	4
Analgesics	380	362	7	5
Dermatological	165	161	4	2
Gastro-intestinal	252	249	2	1
Respiratory tract	172	154	12	12
Smoking control	353	336	7	5
Natural wellness support	132	133	–	(1)
Oral care	**993**	943	6	5
Nutritional healthcare	**658**	619	7	6
	3,147	2,999	6	5

Consumer Healthcare sales grew 6% to £3.1 billion, with sales in International up 10% and Europe up 7%, performing well. Total sales in the USA were flat, with an improved performance in the fourth quarter, with sales up 7%.

Over-the-counter medicine sales grew 5% to £1.5 billion with *Panadol* and smoking control performing well.

Oral care sales grew 6% to £993 million. *Sensodyne* grew strongly, up 19% for the year to £257 million. Sales of *Aquafresh* were down 3% to £283 million.

Nutritional healthcare products sales grew 7% to £658 million. *Lucozade*, grew 14% to £301 million, and *Horlicks*, grew 6% to £156 million. *Ribena* sales were down 1% to £169 million.

The analysis below of operating profit and subsequent discussion compares the 2006 results with 2005 results.

	2006 £m	2006 %	2005 £m	2005 %	Growth CER%	Growth £%
Turnover	**23,225**	**100.0**	21,660	100.0	9	7
Cost of sales	**(5,010)**	**(21.6)**	(4,764)	(22.0)	6	5
Selling, general and administration	**(7,257)**	**(31.2)**	(7,250)	(33.5)	–	–
Research and development	**(3,457)**	**(14.9)**	(3,136)	(14.5)	11	10
Other operating income	**307**	**1.3**	364	1.7		
Operating profit	**7,808**	**33.6**	6,874	31.7	17	14

Cost of sales declined as a percentage of turnover by 0.4 percentage points. At constant exchange rates the decline was 0.6 percentage points reflecting favourable price and regional mix impact.

Selling, general and administration (SG&A) costs as a percentage of turnover reduced 2.3 percentage points. At constant exchange rates, the decrease was 2.5 percentage points, reflecting flat expenditure compared with prior year on a turnover growth of 9%. SG&A costs were flat due to higher advertising, promotion and selling expenditure offset by lower general and administration expenditure. Advertising, promotion and selling increased 3% and accounted for a 2% increase in total SG&A. General and administration expenditure declined 5% and accounted for a 2% decline in total SG&A, of which one percentage point was due to lower charges related to legal matters and one percentage point was due to lower costs related to programmes to deliver future cost savings.

R&D expenditure increased 11% partly as a result of higher charges related to restructuring programmes. Excluding restructuring costs R&D grew 8%, broadly in-line with turnover. Pharmaceuticals R&D expenditure, excluding restructuring costs, represented 16.2% (2005 – 16.2%) of pharmaceutical turnover.

Other operating income includes royalty income, equity investment disposals and impairments, product disposals and fair value adjustments to the Quest collar and Theravance options. Other operating income was £307 million in 2006 compared with £364 million in 2005. The decrease is primarily due to lower product and asset disposal profits partially offset by the favourable fair value movement to the Quest collar and Theravance options.

Overall, the operating profit margin increased 1.9 percentage points as operating profit increased 14% in sterling terms to £7,808 million. Operating profit increased 17% at constant exchange rates and the margin increased 2.4 percentage points, reflecting SG&A growth below the rate of turnover growth, partially offset by higher costs related to programmes to deliver future cost savings and lower other operating income.

Gains from asset disposals were £169 million (2005 – £290 million), costs for legal matters were £333 million (2005 – £430 million), the fair value movements on the Quest collar and Theravance options resulted in an income of £29 million (2005 – £19 million) and charges relating to cost-saving programmes were £205 million (2005 – £141 million). The total operating profit impact of these items was a £340 million charge in 2006, compared with a £262 million charge in 2005.

The discussion below compares the 2006 results with the 2005 results.

The share of profits of associates arises principally from the Group's holding in Quest Diagnostics Inc.

There were no disposals of interests in associates in 2006 and 2005. The Group's shareholding in Quest as at 31st December 2006 was 18.7%.

Financial review 2006

Finance income	2006 £m	2005 £m
Interest income	**285**	276
Fair value adjustments and hedges	**2**	(19)
	287	257
Finance costs		
Interest costs	**(314)**	(427)
Unwinding of discount on liabilities	**(36)**	(25)
Fair value adjustments and hedges	**(2)**	1
	(352)	(451)

Finance income increased compared with 2005 predominantly due to increased income on extended credit on receivables and increased interest income due to higher US dollar interest rates. Finance costs reduced due to the refinancing of two expensive bonds in December 2005 and January 2006 as well as lower swap costs resulting from reduced interest rate differentials.

	2006 £m	2005 £m
UK corporation tax	**400**	172
Overseas taxation	**2,310**	1,847
Current taxation	**2,710**	2,019
Deferred taxation	**(409)**	(103)
Total	**2,301**	1,916

The charge for taxation on profit amounting to £2,301 million, represents an effective tax rate of 29.5% (2005 – 28.5%). The Group balance sheet at 31st December 2006 included a tax payable liability of £621 million and a tax recoverable asset of £186 million.

As reported last year, GSK's largest unresolved tax issues were with the US Internal Revenue Service (IRS) and UK HM Revenue and Customs (HMRC) in respect of transfer prices related to the Glaxo heritage products.

On 11th September 2006, GSK and the IRS agreed to a resolution of their dispute. Under the agreement, GSK has made gross payments to the IRS of approximately $3.3 billion. The final net cash cost to the Group is approximately $3.1 billion, which covers federal, state and local taxes, interest and the benefit of tax relief on the payments made. The settlement resolved all the transfer pricing issues in dispute for the period 1989 – 2000, which were due to go to trial in February 2007, and also covers the subsequent years 2001 – 2005. GSK had previously made provision for the dispute and this settlement did not have any significant impact on the Group's reported earnings or tax rate for the year.

GSK continues to be in dispute with HMRC primarily in respect of transfer pricing and Controlled Foreign Companies legislation matters for the years 1994 to date and the parties are now preparing for litigation. HMRC has not formally quantified its claims in respect of these matters but there continues to be a wide difference between the Group and HMRC positions on these matters.

GSK has open issues in Japan and Canada, which were the subject of court proceedings in 2006. In Japan the tax authorities are claiming approximately Yen 39 billion (£169 million) in respect of transactions in 1998. GSK has paid the tax claimed, as required by law, and applied for a refund. A court decision is expected in late March 2007.

A court decision in the Group's dispute with the Canadian Revenue Authority over the pricing of *Zantac* in the years 1989 – 1993 is expected in the first half of 2007.

GSK uses the best advice in determining its transfer pricing methodology and in seeking to manage transfer pricing issues to a satisfactory conclusion and, on the basis of external professional advice, continues to believe that it has made adequate provision for the liabilities likely to arise from open assessments. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of litigation proceedings and negotiations with the relevant tax authorities.

	2006 £m	2005 £m	Growth CER%	Growth £%
Profit after taxation for the year	**5,498**	4,816	17	14
Profit attributable to shareholders	**5,389**	4,689	18	15
Earnings per share (pence)	**95.5p**	82.6p	19	16
Earnings per ADS (US$)	**$3.53**	$3.00		
Weighted average number of shares (millions)	**5,643**	5,674		
Diluted earnings per share (pence)	**94.5p**	82.0p		
Diluted earnings per ADS (US$)	**$3.50**	$2.98		
Weighted average number of shares (millions)	**5,700**	5,720		

Profit for the year was £5,498 million, an increase of 17% (14% in sterling terms). Profit attributable to minority interests was £109 million and profit attributable to shareholders was £5,389 million, an increase of 18% (15% in sterling terms). Earnings per share increased 19%, reflecting higher profits and also the reduction in the weighted average number of shares resulting from the Group's share buy-back programme. The interest cost of this programme also adversely impacts the Group's earnings. At actual rates of exchange, earnings per share increased 16%. The unfavourable currency impact on EPS of three percentage points reflects a strengthening of Sterling against other major currencies and compares with a two percentage point unfavourable currency impact on turnover.

The Board has declared a fourth interim dividend of 14 pence per share resulting in a dividend for the year of 48 pence, a four pence increase over the dividend of 44 pence per share for 2005. The equivalent interim dividend receivable by ADR holders is 55.1628 cents per ADS based on an exchange rate of £1/$1.9701. The dividend had an ex-dividend date of 14th February 2007, a record date of 16th February 2007 and will be paid on 12th April 2007. The liability for an interim dividend is only recognised when it is paid, which is usually after the accounting period to which it relates. The 2006 financial statements recognise the dividends paid in 2006, namely the third and fourth interim dividends for 2005 and the first and second interim dividends for 2006, which total £2,598 million (2005 – £2,390 million).

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as adopted for use in the European Union, following the accounting policies approved by the Board and described in Note 2 to the financial statements, 'Accounting policies'. Management is required to make estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported in the financial statements. Actual amounts and results could differ from those estimates. The following are considered to be the critical accounting policies adopted.

Revenue is recognised when title and risk of loss is passed to the customer and reliable estimates can be made of relevant deductions. Gross turnover is reduced by rebates, discounts, allowances and product returns given or expected to be given, which vary by product arrangements and buying groups. These arrangements with purchasing organisations are dependent upon the submission of claims some time after the initial recognition of the sale. Accruals are made at the time of sale for the estimated rebates, discounts or allowances payable or returns to be made, based on available market information and historical experience. Because the amounts are estimated they may not fully reflect the final outcome, and the amounts are subject to change dependent upon, amongst other things, the types of buying group and product sales mix. The level of accrual is reviewed and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analyses, market research data and internally generated information. Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of the Group.

The Group's largest business is US pharmaceuticals, and the US market has the most complex arrangements for rebates, discounts and allowances. The following briefly describes the nature of the arrangements in existence in the Group's US pharmaceuticals business.

- Customer rebates are offered to key managed care and group purchasing organisations (GPO) and other direct and indirect customers. These arrangements require the customer to achieve certain performance targets relating to value of product purchased, formulary status or pre-determined market shares relative to competitors. Rebates given under Medicare, Part D are included in this category. The Medicare, Part D programme was introduced during 2006 and replaces the Government Medicaid subsidies for some individuals with subsidised coverage provided through private prescription plans. The accrual for these rebates is estimated based on the specific terms in each agreement, historical experience and product growth rates.
- GSK has arrangements with certain key parties, whereby the party is able to buy products from wholesalers at lower prices. A chargeback represents the difference between the invoice price to the wholesaler and the indirect customer's contractual discounted price. Accruals for estimating chargebacks are calculated based on the terms of each agreement, historical experience and product growth rates.
- The US Medicaid programme is a state-administered programme providing assistance to certain poor and vulnerable patients. In 1990, the Medicaid Drug Rebate Program was established to reduce state and federal expenditure on prescription drugs. GSK participates by providing rebates to states. Accruals for Medicaid rebates are calculated based on the specific terms of individual state agreements using a combination of historical experience, product and population growth, anticipated price increases and the impact of contracting strategies.
- Cash discounts are offered to customers to encourage prompt payment. These are accrued for at the time of invoicing and adjusted subsequently to reflect actual experience.
- Where there is historical experience of customer returns, GSK records an accrual for estimated sales returns by applying historical experience of customer returns to the amounts invoiced, together with market related information such as stock levels at wholesalers, anticipated price increases and competitor activity.

A reconciliation of gross turnover to net turnover for the US pharmaceuticals business is as follows:

	2006		2005		2004	
	£m	%	£m	%	£m	%
Gross turnover	**13,131**	**100**	11,875	100	10,835	100
Managed care, GPO rebates and Medicare, Part D	**912**	**7**	686	6	575	5
Chargebacks	**846**	**6**	786	7	732	7
US Government and State programmes	**507**	**4**	775	6	734	7
Cash discounts	**248**	**2**	227	2	208	2
Customer returns	**140**	**1**	155	1	86	1
Prior year adjustments	**(69)**	**–**	(34)	–	(51)	(1)
Other items	**194**	**1**	174	1	126	1
Total deductions	**2,778**	**21**	2,769	23	2,410	22
Net turnover	**10,353**	**79**	9,106	77	8,425	78

Rebates given under the US Government Medicaid programme have fallen in 2006 and been replaced with rebates granted under the Medicare, Part D programme. The overall level of rebates has fallen slightly, partly as a result of products with traditionally higher rebate percentages becoming subject to generic competition and being replaced with sales of newer products with lower rebate percentages.

The total accruals for rebates, discounts, allowances and returns in the US pharmaceuticals business were as follows:

	At 31st December 2006 £m	At 31st December 2005 £m
Managed care, GPO rebates and Medicare, Part D	**435**	401
Chargebacks	**50**	56
US Government and State programmes	**283**	417
Cash discounts	**24**	27
Customer returns	**184**	146
Other	**69**	53
Total	**1,045**	1,100

A monthly process is operated to monitor inventory levels at wholesalers for any abnormal movements. This process uses gross sales volumes, prescription volumes based on third party data sources and information received from key wholesalers. The aim of this is to maintain inventories at a consistent level from year to year based on the pattern of consumption. On this basis, US pharmaceutical inventory levels at wholesalers and in other distribution channels at 31st December 2006 were estimated to amount to approximately one month of turnover. This calculation uses third party information, the accuracy of which cannot be totally verified, but is believed to be sufficiently reliable for this purpose.

Current tax is provided at the amounts expected to be paid, and deferred tax on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantially enacted by the balance sheet date.

The Group has open tax issues with a number of revenue authorities, principally in relation to transfer pricing disputes. GSK uses the best advice in determining its transfer pricing methodology and in seeking to manage transfer pricing issues to a satisfactory conclusion and, on the basis of external professional advice, continues to believe that it has made adequate provision for the liabilities likely to arise from open assessments. However, there continues to be a wide difference of views where open issues exist. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of litigation proceedings and negotiations with the relevant tax authorities.

GSK provides for anticipated settlement costs where a reasonable estimate may be made of the likely outcome of the dispute and legal and other expenses arising from claims against the Group. The company's Directors, having taken legal advice, have established provisions after taking into account the relevant facts and circumstances of each matter and in accordance with accounting requirements. Provisions for product liability claims on certain products have been made on an 'incurred but not reported' basis where sufficient history of claims made and settlements is available. No provisions have been made for other unasserted claims or for claims for which no reasonable estimate of the likely outcome can yet be made. The ultimate liability for pending and unasserted claims may vary from the amounts provided, if any, and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations.

The carrying values of fixed assets subject to depreciation and amortisation are reviewed for impairment when there is an indication that the values of the assets might be impaired. Impairment is determined by reference to the higher of net realisable value and value in use, measured by reference to risk-adjusted future cash flows discounted using appropriate interest rates. These future cash flows are based on business forecasts and are therefore inherently judgemental. Future events could cause the assumptions used in these impairment reviews to change with a consequent adverse effect on the future results of the Group.

Where intangible assets are acquired by GlaxoSmithKline from third parties the costs of acquisition are capitalised. Licences to compounds in development are amortised from the point at which they are available for use, over their estimated useful lives, up to 20 years. Estimated useful lives are reviewed annually and impairment tests are undertaken if events occur which call into question the carrying values of the assets. Brands acquired with businesses are capitalised independently where they are separable and have an expected life of more than one year. Brands are amortised over their estimated useful lives, not exceeding 20 years, except where the end of the useful economic life cannot be foreseen. Where brands are not amortised, they are subject to annual impairment tests. Impairment tests are based on risk-adjusted future cash flows discounted using appropriate interest rates. These future cash flows are based on business forecasts and are therefore inherently judgemental. Future events could cause the values of these intangible assets to be impaired and this would have an adverse effect on the future results of the Group.

The costs of providing pensions and other post-retirement benefits are charged to the income statement in accordance with IAS 19 over the period during which benefit is derived from the employee's services. The costs are assessed in accordance with advice received from independent actuaries on the basis of assumptions selected by management for use under both IFRS and US GAAP. These assumptions include future earnings and pension increases, discount rates and expected long term rates of return on assets and are disclosed in Note 26 to the financial statements, 'Pensions and other post-employment benefits'. The expected long term rates of return on bonds are determined based on the portfolio mix of index-linked, government and corporate bonds. An equity risk premium is added to this for equities. Discount rates are based on appropriate long-term indices, including the iBoxx over 15 year AA index for the UK, and Moody's Aa index for the USA. Sensitivity analysis is provided in Note 26, but a 0.25% reduction in the discount rate would lead to an increase in the net pension deficit of approximately £369 million and an increase in the annual pension cost of approximately £4 million. The selection of different assumptions could affect the future results of the Group.

In addition to the critical accounting policies outlined above, the accounting policy for product rights and goodwill is deemed to be important in respect of the balance sheet prepared in accordance with US generally accepted accounting principles. Under US GAAP the merger of Glaxo Wellcome and SmithKline Beecham in 2000 was accounted for as an acquisition which gave rise to product rights of £24 billion and goodwill of £16 billion being recognised. Goodwill and those product rights determined to have indefinite lives are not amortised but rather reviewed annually for impairment. These impairment reviews assess business projections prepared as part of the Group's annual budgeting and planning process to determine whether or not an impairment in value has occurred. The business projections include assumptions about future events. Changes in future events could cause the assumptions in the business projections to change with a consequent adverse effect on the future results of the Group as reported under US GAAP.

Financial position and resources

	2006 £m	2005 £m
Assets		
Non-current assets		
Property, plant and equipment	**6,930**	6,652
Goodwill	**758**	696
Other intangible assets	**3,293**	3,383
Investments in associates and joint ventures	**295**	276
Other investments	**441**	362
Deferred tax assets	**2,123**	2,214
Other non-current assets	**721**	438
Total non-current assets	**14,561**	14,021
Current assets		
Inventories	**2,437**	2,177
Current tax recoverable	**186**	416
Trade and other receivables	**5,317**	5,348
Liquid investments	**1,035**	1,025
Cash and cash equivalents	**2,005**	4,209
Assets held for sale	**12**	2
Total current assets	**10,992**	13,177
Total assets	**25,553**	27,198
Liabilities		
Current liabilities		
Short-term borrowings	**(718)**	(1,200)
Trade and other payables	**(4,871)**	(5,147)
Current tax payable	**(621)**	(2,269)
Short-term provisions	**(1,055)**	(895)
Total current liabilities	**(7,265)**	(9,511)
Non-current liabilities		
Long-term borrowings	**(4,772)**	(5,271)
Deferred tax provision	**(595)**	(569)
Pensions and other post-employment benefits	**(2,339)**	(3,069)
Other provisions	**(528)**	(741)
Other non-current liabilities	**(406)**	(467)
Total non-current liabilities	**(8,640)**	(10,117)
Total liabilities	**(15,905)**	(19,628)
Net assets	**9,648**	7,570
Equity		
Share capital	**1,498**	1,491
Share premium account	**858**	549
Retained earnings	**6,965**	5,579
Other reserves	**65**	(308)
Shareholders' equity	**9,386**	7,311
Minority interests	**262**	259
Total equity	**9,648**	7,570

The total cost of the Group's property, plant and equipment at 31st December 2006 was £13.3 billion, with a net book value of £6.9 billion. Of this, land and buildings represented £2.8 billion, plant and equipment £2.7 billion and assets in construction £1.4 billion. In 2006, GSK invested £1,485 million in new and renewal property, plant and equipment. This is mainly related to a large number of projects for the renewal improvement and expansion of facilities at various worldwide sites. Property is mainly held freehold. New investment is financed from Group liquid resources. At 31st December 2006, GSK had capital contractual commitments for future expenditure of some £521 million and 2007 operating lease commitments of £374 million.

GSK's business is science-based, technology-intensive and highly regulated by governmental authorities. The Group allocates significant financial resources to the renewal and maintenance of its property, plant and equipment to minimise risks of interruption of production and to achieve compliance with regulatory standards. A number of its processes use chemicals and hazardous materials.

The Group observes stringent procedures and uses specialist skills to manage environmental risks from these activities. Environmental issues, sometimes dating from operations now modified or discontinued, are reported under 'Responsibility for environment, health and safety' (page 24) and in Note 43 to the financial statements, 'Legal proceedings'. GSK believes that its facilities are adequate for its current needs.

Other intangible assets include the cost of intangibles acquired from third parties and computer software. The net book value of other intangible assets as at 31st December 2006 was £3,293 million (2005 – £3,383 million). The decrease in 2006 reflects currency movements and amortisation of existing intangibles, partly offset by additions of £444 million. The largest element of the additions relates to the acquisition of CNS, Inc. which added to the GSK portfolio *Breathe Right* nasal strips and *FiberChoice* dietary products.

GSK held investments, including associates and joint ventures, with a carrying value at 31st December 2006 of £736 million (2005 – £638 million). The market value at 31st December 2006 was £1,461 million (2005 – £1,487 million). The investments are mainly in equity shares where the holding derives directly from the Group's business. The largest of these investments is in the associate, Quest Diagnostics Inc., which had a book value at 31st December 2006 of £262 million (2005 – £244 million). The investments include stakes in companies where the Group has research collaborations, which provide access to biotechnology developments of potential interest or interests in companies that arise from business divestments.

Trade and other receivables include £80 million (2005 – £180 million) of derivative financial instruments now held at fair value. The remaining increase from 2005 reflects increased sales and higher VAT recoverables partly offset by the impact of weakening overseas currencies on the translation of foreign currency receivables.

Trade and other payables include £41 million (2005 – £171 million) of derivative financial instruments now held at fair value. The remaining decrease reflects the impact of weakening overseas currencies on the translation of foreign currency payables.

Financial position and resources

The Group carried deferred tax provisions and other short-term and non-current provisions of £2,178 million at 31st December 2006 (2005 – £2,205 million) in respect of estimated future liabilities, of which £1,105 million related to legal and other disputes.

Provision has been made for legal and other disputes, indemnified disposal liabilities and the costs of manufacturing restructuring and merger integration to the extent that at the balance sheet date an actual or constructive obligation existed and could be reasonably estimated.

The Group accounts for pension and other post-employment arrangements in accordance with IAS 19. The net deficit before allowing for deferred taxation was £2,338 million (2005 – £3,069 million). The pension and other post-employment liabilities decreased following improvements in asset values, further special funding contributions to the UK and US pension funds of £346 million (2005 – £366 million) and a strengthening of long-term interest rates, including an increase in the rate used to discount UK pension liabilities from 4.75% to 5.0%.

	2006 £m	2005 £m
Cash, cash equivalents and liquid investments	**3,040**	5,234
Borrowings – repayable within one year	**(718)**	(1,200)
Borrowings – repayable after one year	**(4,772)**	(5,271)
Net debt	**(2,450)**	(1,237)

Net debt increased by £1,213 million primarily due to the gross payment of $3.3 billion (£1.8 billion) under the transfer pricing dispute settlement with the US Internal Revenue Service (see 'Taxation' on page 36) and higher share repurchases partly offset by increased operating profits.

A summary of the movements in equity is set out below.

	2006 £m	2005 £m
Total equity at beginning of year	**7,570**	5,937
Implementation of accounting for financial instruments under IAS 39	**–**	(12)
Total equity at beginning of year, as adjusted	**7,570**	5,925
Total recognised income and expense for the year	**5,395**	4,576
Dividends to shareholders	**(2,598)**	(2,390)
Ordinary shares issued	**316**	252
Ordinary shares purchased and held as Treasury shares	**(1,348)**	(1,000)
Ordinary shares issued by ESOP Trusts	**151**	68
Share-based payments	**247**	265
Changes in minority interest shareholdings	**2**	(40)
Minority interests	**(87)**	(86)
Total equity at end of year	**9,648**	7,570

At 31st December 2006, total equity had increased from £7,570 million at 31st December 2005 to £9,648 million. The increase arises principally from retained earnings and actuarial gains on defined benefit pension plans in the year, partially offset by further purchases of Treasury shares.

In 2006, the ESOP Trusts did not make any market purchases of shares in GSK plc (2005 – nil). Shares are held by the Trusts to satisfy future exercises of options and awards under the Group share option and award schemes. A proportion of the shares held by the Trusts are in respect of awards where the rules of the scheme require the company to satisfy exercises through market purchases rather than the issue of new shares. The shares held by the Trusts are matched to options and awards granted and diminish the dilutive effect of new share issues on shareholders' equity and earnings.

At 31st December 2006, the ESOP Trusts held 153.5 million GSK shares against the future exercise of share options and share awards. The carrying value of £1,999 million has been deducted from other reserves. The market value of these shares was £2,062 million.

GSK repurchased £1,348 million of shares in 2006, to be held as Treasury shares. The company completed its second £4 billion share repurchase programme in September, and in October commenced a new share buy-back programme totalling £6 billion. This programme is expected to be completed over a three year period including £2 billion in 2007. The exact amount and timing of future purchases, and the extent to which repurchased shares will be held as Treasury shares rather than being cancelled, will be determined by the company and is dependent on market conditions and other factors. At 31st December 2006, GSK also held 235.5 million shares as Treasury shares, at a cost of £3,147 million, which has been deducted from retained earnings.

Financial commitments are summarised in Note 37 to the financial statements, 'Commitments'. Other contingent liabilities and obligations in respect of short and long-term debt are set out in Note 29 to the financial statements, 'Contingent liabilities' and Note 30 to the financial statements, 'Net debt'.

Amounts provided for pensions and post-retirement benefits are set out in Note 26 to the financial statements, 'Pensions and other post-employment benefits'. Amounts for restructuring and integration plans and legal, environmental and other disputes are set out in Note 27 to the financial statements, 'Other provisions'.

The following table sets out the Group's contractual obligations and commitments at 31st December 2006 as they fall due for payment.

	Total £m	Under 1 yr £m	1-3 yrs £m	3-5 yrs £m	5 yrs+ £m
Loans	5,351	676	1,505	11	3,159
Interest on loans	2,875	215	344	307	2,009
Finance lease obligations	139	42	63	22	12
Operating lease commitments	374	94	129	74	77
Intangible assets	3,219	558	465	645	1,551
Property, plant & equipment	521	381	140	–	–
Investments	196	192	4	–	–
Business combinations	258	258	–	–	–
Purchase commitments	299	151	128	20	–
Pensions	975	325	650	–	–
Theravance put option agreement	258	258	–	–	–
Other commitments	65	31	25	4	5
Total	14,530	3,181	3,453	1,083	6,813

Commitments in respect of future interest payable on loans are disclosed after taking into account the effect of interest rate swaps.

The Group has entered into a number of research collaborations to develop new compounds with other pharmaceutical companies. The terms of these arrangements can include up-front fees, equity investments, loans and commitments to fund specified levels of research. In addition the Group will often agree to make further payments if future 'milestones' are achieved. As some of these agreements relate to compounds in the early stages of development, milestone payments will continue for a number of years if the compounds move successfully through the development process. Generally the closer the product is to marketing approval the greater the possibility of success. The payments shown above within intangible assets represent the maximum that would be paid if all milestones are achieved. A number of commitments were made in 2006 under licensing and other agreements, including with ChemoCentryx Inc., EPIX Pharmaceuticals Inc. and Genmab A/S.

In 2006, GSK formalised an agreement with the trustees of the UK pension schemes to make additional contributions of up to £325 million per year, in addition to the normal contributions, over a four-year period ending 31st December 2009 in order to eliminate the then pension deficits on an IAS 19 basis by that point. The table on page 40 shows this commitment, but excludes the normal ongoing annual funding requirement of approximately £200 million. GSK has also committed to eliminate any future deficits that may arise over a rolling five-year period. No other commitments have been made past 31st December 2009.

The following table sets out contingent liabilities, comprising discounted bills, performance guarantees, letters of credit and other items arising in the normal course of business and when they are expected to expire.

	Total £m	Under 1 yr £m	1-3 yrs £m	3-5 yrs £m	5 yrs+ £m
Guarantees	221	74	28	5	114
Other contingent liabilities	37	12	10	4	11
Total	258	86	38	9	125

In the normal course of business GSK has provided various indemnification guarantees in respect of business disposals in which legal and other disputes have subsequently arisen. A provision is made where a reasonable estimate can be made of the likely outcome of the dispute and this is included in Note 27 to the financial statements, 'Other provisions'.

It is the Group's policy to provide for the settlement costs of asserted claims and environmental disputes when a reasonable estimate may be made. Prior to this point no liability is recorded. Legal and environmental costs are discussed in 'Risk factors' on pages 44 to 47.

GSK uses the best advice in determining its transfer pricing methodology and, on the basis of external professional advice, continues to believe that it has made adequate provision for the liabilities likely to arise from open taxation assessments. The ultimate liability for such matters may vary significantly from amounts provided and is dependent upon the outcome of litigation proceedings and negotiations with the relevant tax authorities. This is discussed further in Note 12 to the financial statements, 'Taxation'.

A summary of the consolidated cash flow statement is set out below.

	2006 £m	2005 £m
Net cash inflow from operating activities	**4,357**	5,958
Net cash outflow from investing activities	**(1,521)**	(1,660)
Net cash outflow from financing activities	**(4,792)**	(2,914)
Decrease/increase in cash and bank overdrafts	**(1,956)**	1,384
Exchange adjustments	**(254)**	233
Cash and bank overdrafts at beginning of year	**3,972**	2,355
Cash and bank overdrafts at end of year	**1,762**	3,972
Cash and bank overdrafts at end of year comprise:		
Cash and cash equivalents	**2,005**	4,209
Overdrafts	**(243)**	(237)
	1,762	3,972

The net cash inflow from operating activities after taxation paid was £4,357 million, a decrease of £1,601 million over 2005, arising mainly from the gross taxation payment of $3.3 billion (£1.8 billion) under the transfer pricing dispute settlement (see page 36), partially offset by higher operating profits.

The net cash outflow from investing activities was £1,521 million, a decrease of £139 million which reflected increased capital expenditure and the purchase of businesses including CNS in 2006 for £273 million (purchases of businesses in 2005 were over £1 billion reflecting the purchase of Corixa and ID Biomedical).

Free cash flow was £2,623 million, a decrease of 44% over 2005, principally reflecting the US tax settlement and higher levels of capital expenditure. Free cash flow is the amount of cash generated by the business after meeting its obligations for interest, tax and dividends paid to minority interests, and after capital expenditure on non-current tangible and intangible assets.

Free cash flow is used by GSK's management for planning and reporting purposes and in discussions with and presentations to investment analysts and rating agencies. GSK's free cash flow measure is not defined in IFRS. This measure may not be directly comparable with similarly described measures used by other companies. A reconciliation of net cash inflow from operating activities, which is the closest equivalent IFRS measure, to free cash flow is shown below.

	2006 £m	2005 £m
Net cash inflow from operating activities	**4,357**	5,958
Purchase of non-current tangible assets	**(1,366)**	(903)
Purchase of non-current intangible assets	**(224)**	(278)
Disposal of non-current tangible fixed assets	**43**	54
Interest paid	**(414)**	(381)
Interest received	**299**	290
Dividends received from joint ventures and associated undertaking	**15**	10
Dividends paid to minority interests	**(87)**	(86)
Free cash flow	**2,623**	4,664

Financial position and resources

continued

	2006 £m	2005 £m
Net debt at beginning of year	**(1,237)**	(1,984)
(Decrease)/increase in cash and bank overdrafts	**(1,956)**	1,384
Cash outflow/(inflow) from liquid investments	**55**	(550)
Net increase in long-term loans	**-**	(912)
Net repayment of short-term loans	**739**	857
Exchange and other movements	**(51)**	(32)
Net debt at end of year	**(2,450)**	(1,237)

GSK has a formal process for assessing potential investment proposals in order to ensure decisions are aligned with the Group's overall strategy. This process includes an analysis of the impact of the project on earnings, its return on invested capital and an assessment of the return based on discounted cash flows. The discount rate used to perform financial analysis is decided internally, to allow determination of the extent to which investments cover the Group's cost of capital. For specific investments the discount rate may be adjusted to take into account country or other risk weightings.

Cash payments for tangible and intangible fixed assets amounted to £1,590 million (2005 – £1,181 million). Disposals realised £218 million (2005 – £275 million). Cash payments to acquire equity investments of £57 million (2005 – £23 million) were made in the year and sales of equity investments realised £32 million (2005 – £35 million).

The Group expects that future operating cash flow will be sufficient to fund its operating and debt service costs, to satisfy normal levels of capital expenditure, to meet obligations under existing licensing agreements and to meet other routine outflows including tax and dividends, subject to the risk factors discussed on pages 44 to 47. GSK may from time to time have additional demands for finance, such as for acquisitions. It has access to other sources of liquidity from banks and other financial institutions, in addition to the cash flow from operations, for such needs.

Payment policies

Group companies are responsible for monitoring and managing their working capital. The terms of sales collections and supplier payments reflect local commercial practice.

In the UK, the company and each of its UK subsidiaries have policies to ensure that suppliers are paid on time. In particular, the UK companies seek:

- to settle terms of payment with suppliers when agreeing the terms of the transaction
- to ensure that suppliers are made aware of the agreed terms of payment
- to abide by the terms of payment.

The policy includes arrangements for accelerated payment of small suppliers.

At 31st December 2006, the average number of days' purchases represented by trade and fixed asset creditors of the parent company was nil (2005 – nil) and in respect of the company and its UK subsidiaries in aggregate was 24 days (2005 – 22 days).

GlaxoSmithKline plc reports in Sterling and pays dividends out of sterling profits. The role of Corporate Treasury in GSK is to manage and monitor the Group's external and internal funding requirements and financial risks in support of Group corporate objectives. Treasury activities are governed by policies and procedures approved by the Board and monitored by a treasury management group.

GSK maintains treasury control systems and procedures to monitor foreign exchange, interest rate, liquidity, credit and other financial risks.

GSK operates globally, primarily through subsidiary companies established in the markets in which the Group trades. Due to the nature of GSK's business, with patent protection on many of the products in its portfolio, the Group's products compete largely on product efficacy rather than on price. Selling margins are sufficient to exceed normal operating costs and the Group's operating subsidiaries are substantially cash generative.

Operating cash flow is used to fund investment in the research and development of new products as well as routine outflows of capital expenditure, tax, dividends and repayment of maturing debt. The Group may, from time to time, have additional demands for finance, such as for share purchases and acquisitions.

GSK operates with a high level of interest cover and at low levels of net debt relative to its market capitalisation. In addition to the strong positive cash flow from normal trading activities, additional liquidity is readily available via its commercial paper programme and short-term investments. The Group also has a European Medium Term Note programme of £10 billion, of which £3.5 billion was in issue at 31st December 2006. In 2004, the Group established a US Shelf Registration of $5 billion; at 31st December 2006 $2.4 billion (£1.2 billion) was in issue.

The objective of treasury activity is to manage the post-tax net cost/income of financial operations to the benefit of Group earnings. Corporate Treasury does not operate as a profit centre. GSK uses a variety of financial instruments, including derivatives, to finance its operations and to manage market risks from those operations.

Derivatives, principally comprising forward foreign currency contracts, interest rate and currency swaps, are used to swap borrowings and liquid assets into the currencies required for Group purposes and to manage exposure to funding risks from changes in foreign exchange rates and interest rates.

Financial position and resources

GSK balances the use of borrowings and liquid assets having regard to the cash flow from operating activities, the currencies in which it is earned, the tax cost of intra-Group distributions, the currencies in which business assets are denominated, and the post-tax cost of borrowings compared with the post-tax return on liquid assets.

Liquid assets surplus to the immediate operating requirements of Group companies are generally invested and managed centrally by Corporate Treasury. Requirements of Group companies for operating finance are met whenever possible from central resources.

External borrowings, mainly managed centrally by Corporate Treasury, comprise a portfolio of long and medium-term instruments and short-term finance.

GSK does not hold or issue derivative financial instruments for trading purposes and the Group's Treasury policies specifically prohibit such activity. All transactions in financial instruments are undertaken to manage the risks arising from underlying business activities, not for speculation.

The Group invests centrally managed liquid assets in government bonds, short-term corporate debt instruments with a minimum short-term credit rating of A-1/P-1, money market funds with a credit rating of AAA/Aaa and other structured investments (credit ratings shown are from Standard and Poor's and Moody's Investors' Services, respectively).

The Group manages its net borrowing requirements through a portfolio of long-term borrowings, including bonds, together with short-term finance under the US$10 billion commercial paper programme.

The Group's long-term borrowings mature at dates between 2007 and 2034. These include a private financing which, although maturing in 2032, may be redeemed by GSK at any time and, in particular, in the event of any accelerating event that would increase the cost of funding for the Group. GSK's long-term debt rating is AA from Standard and Poor's and Aa2 from Moody's Investors' Services. The agencies' short-term ratings for paper issued under the Group's commercial paper programme are A-1+ and P-1 respectively.

In GSK foreign currency transaction exposure arising on normal trade flows, in respect of both external and intra-Group trade, is not hedged. The policy is to minimise the exposure of overseas operating subsidiaries to transaction risk by matching local currency income with local currency costs. For this purpose, intra-Group trading transactions are matched centrally and intra-Group payment terms are managed to reduce risk. Exceptional foreign currency cash flows are hedged selectively under the management of Corporate Treasury.

The Group seeks to denominate borrowings in the currencies of its principal assets and cash flows. These are primarily denominated in US dollars, Euros and Sterling. Certain of these and other borrowings are swapped into other currencies as required for Group purposes.

Borrowings denominated in, or swapped into, foreign currencies that match investments in overseas Group assets are treated as a hedge against the relevant net assets.

Based on the composition of net debt at 31st December 2006, a 10% appreciation in Sterling against major currencies would result in a reduction in the Group's net debt of approximately £210 million. A 10% weakening in Sterling against major currencies would result in an increase in the Group's net debt of approximately £256 million.

GSK's policy on interest rate risk management requires that the amount of net borrowings at fixed rates increases with the ratio of forecast net interest payable to trading profit.

The Group uses a limited number of interest rate swaps to redenominate external borrowings into the interest rate coupon required for Group purposes. The duration of these swaps matches the duration of the principal debt instruments. Interest rate derivative instruments are accounted for as fair value or cash flow hedges of the relevant assets or liabilities.

The Group manages centrally the short-term cash surpluses or borrowing requirements of subsidiary companies and uses forward contracts to hedge future repayments back into the originating currency.

Sensitivity analysis considers the sensitivity of the Group's net debt to hypothetical changes in market rates and assumes that all other variables remain constant. Based on the composition of net debt and financing arrangements at 31st December 2006, and taking into consideration all fixed rate borrowings in place, a one percentage point (100 basis points) decrease in average interest rates would result in an increase in the Group's annual net interest charge of approximately £5 million.

Equity investments classified as current assets are available-for-sale and the Group manages disposals to meet overall business requirements as they arise. The Group regularly monitors the value of its equity investments and only enters into hedges selectively with the approval of the Board.

An analysis of net debt is given in Note 30 to the financial statements, 'Net debt'. An analysis of financial assets and liabilities at carrying value and fair value and a reconciliation to net debt are given in Note 39 to the financial statements, 'Financial instruments and related disclosures', together with a discussion of derivative financial instruments and quantitative disclosures about market risk in accordance with the requirements of IAS 32 and IAS 39.

The Group continues to benefit from strong positive cash flow. Group net debt would have decreased significantly in the year to 31st December 2006, but for the Group's purchase of its own shares in the market of £1.3 billion, the gross US tax settlement of US$3.3 billion (£1.8 billion) and acquisitions of approximately £0.3 billion.

The financial assets and liabilities at 31st December 2006 are representative of the treasury policies and strategies of GSK, applied consistently during the year. There were no significant changes in such policies throughout the year.

Outlook and risk factors

Outlook

Sales growth of existing products and launch of new products are key drivers of GSK's business performance. The sales growth seen from key products such as *Seretide/Advair*, the *Avandia* group of products, Vaccines, *Lamictal*, *Valtrex*, *Coreg* and the high potential products, *Requip*, *Avodart* and *Boniva* is expected to continue in 2007.

Typically, sales of existing products decline dramatically when generic competition is introduced either on patent expiry or earlier if there is a successful challenge to the Group's patent. In Q4 2006, generic competitors to *Wellbutrin XL* 300mg tablet (approximately 60% of *Wellbutrin* sales) and *Zofran* entered the US market. GSK is engaged in legal proceedings regarding the validity and infringement of the Group's patents relating to many of its products. These are discussed in 'Risk factors' below and in Note 43 to the financial statements, 'Legal proceedings'.

Five major new pharmaceutical product launches are expected in 2007. These include *Tykerb*, for breast cancer, *Cervarix*, for cervical cancer (in Europe), *Allermist*, for allergic rhinitis, *Coreg CR*, for heart failure and *Trexima*, for migraine.

GSK also expects to launch several other important products during the year including: *Arixtra*, to treat acute coronary syndromes (ACS); *Altabax/Altargo*, for skin infections, and *Entereg*, for the management of post-operative ileus.

GSK's consumer brand portfolio will be strengthened further in 2007, with the launch of 10 products, including *alli*, a new treatment for weight-loss in the USA. Two more brands, *Breathe Right*, nasal strips and *FiberChoice*, dietary fibre supplements, were added to the portfolio, following the acquisition of CNS, Inc, which was completed in December 2006.

Several new products are expected to be filed for approval with the regulatory authorities in 2007, including vaccine opportunities: US filing of *Cervarix*, for cervical cancer and *Rotarix*, for rotavirus and the European filing of *Synflorix*, a vaccine for pneumococcal disease. GSK continues to progress development of vaccines for use before, and in the event of, a 'flu pandemic. In January 2007, GSK submitted its H5N1 vaccine to European regulators for approval for pre-pandemic use.

GSK now has 31 major product opportunities in phase III development or registration, comprising 13 NCEs, 6 new vaccines and 12 product line extensions.

GSK's published earnings guidance for 2007 is that earnings per share growth is expected to be 8% to 10% in CER terms.

The Group has net debt of £2.5 billion, which is low relative to its market capitalisation, and this positions it to take advantage of any opportunities that might arise to build the business.

There are risks and uncertainties inherent in the business that may affect future performance including R&D projects, anticipated sales growth and expected earnings growth. These are discussed in 'Risk factors ' below.

Risk factors

There are risks and uncertainties relevant to the Group's business. The factors listed below are among those that the Group thinks could cause the Group's actual results to differ materially from expected and historical results.

Continued development of commercially viable new products is critical to the Group's ability to replace sales of older products that decline upon expiration of exclusive rights, and to increase overall sales. Developing new products is a costly, lengthy and uncertain process.

A new product candidate can fail at any stage of the process, and one or more late-stage product candidates could fail to receive regulatory approval.

New product candidates may appear promising in development but, after significant investment, fail to reach the market or have only limited commercial success. This, for example, could be as a result of efficacy or safety concerns, inability to obtain necessary regulatory approvals, difficulty or excessive costs to manufacture, erosion of patent term as a result of a lengthy development period, infringement of patents or other intellectual property rights of others or inability to differentiate the product adequately from those with which it competes.

Patent infringement litigation

The Group's patents, in common with all patents, can be challenged at any time. Efforts by generic manufacturers may involve challenges to the validity of a patent or assertions that their generic product does not infringe the Group's patents. If the Group is not successful in defending an attack on its patents and maintaining exclusive rights to market one or more of its major products, particularly in the USA where the Group has its highest turnover and margins, the Group's turnover and margins would be adversely affected. See Note 43 to the financial statements, 'Legal proceedings', for a discussion of patent-related proceedings in which the Group is involved.

Generic drug manufacturers are seeking to market generic versions of many of the Group's most important products, prior to the expiration of the Group's patents, and have exhibited a readiness to do so for other products in the future. The US launch of generic products competing with *Paxil IR* and *Wellbutrin* had a significant impact on the Group's overall turnover and earnings.

Weakness of intellectual property protection in certain countries

In some of the countries in which the Group operates, patent protection may be significantly weaker than in the USA or the European Union. In addition, in an effort to control public health crises, some developing countries, such as South Africa and Brazil, have considered plans for substantial reductions in the scope of patent protection for pharmaceutical products. In particular, these countries could facilitate competition within their markets from generic manufacturers who would otherwise be unable to introduce competing products for a number of years.

Any loss of patent protection, including abrogation of patent rights or compulsory licensing, is likely to affect adversely the Group's operating results in those national markets but is not expected to be material to the Group overall. Absence of adequate patent protection could limit the opportunity to look to such markets for future sales growth.

See Note 43 to the financial statements, 'Legal proceedings', for a discussion of proceedings and governmental investigations in which the Group is currently involved. Unfavourable resolution of these and similar future proceedings or investigations may have a material adverse effect on the Group's financial results. The Group has made material provisions in 2004, 2005 and 2006 related to legal proceedings and investigations which reduced its earnings. The Group may also make additional significant provisions related to legal proceedings and investigations in the future, which would reduce its earnings. In many cases the practice of the plaintiff bar is to claim damages – compensatory, punitive and statutory – in amounts that bear no relationship to the underlying harm. Accordingly it is potentially misleading to quantify the potential exposure to claims, proceedings and investigations of the type described in Note 43.

Recent insurance loss experience, including pharmaceutical product liability exposures, has increased the cost of, and narrowed the coverage afforded by, insurance for pharmaceutical companies generally, including the Group.

In order to contain insurance costs in recent years the Group has continued to adjust its coverage profile, accepting a greater degree of un-insured exposure. In addition, where claims are made under insurance policies, insurers may reserve the right to deny coverage on various grounds. If denial of coverage is ultimately upheld on these claims, this could result in material additional charges to the Group's earnings.

Product liability litigation

Pre-clinical and clinical trials are conducted during the development of potential products to determine the safety and efficacy of products for use by humans following approval by regulatory bodies. Notwithstanding these efforts, when drugs and vaccines are introduced into the marketplace, unanticipated side effects may become evident. The Group is currently a defendant in a number of product liability lawsuits, including class actions, that involve substantial claims for damages related to the Group's pharmaceutical products. Litigation, particularly in the USA, is inherently unpredictable and excessive verdicts that are not justified by the evidence can occur. Class actions that sweep together all persons who were prescribed the Group's products can inflate the potential liability by the force of numbers. Claims for pain and suffering and punitive damages are frequently asserted in product liability actions and, if allowed, can represent potentially open-ended exposure.

Anti-trust litigation

In the USA it has become increasingly common that following publicity around government investigations or an adverse outcome in prosecution of patent infringement actions, the defendants and direct and indirect purchasers and other payers initiate anti-trust actions as well. Claims by direct and indirect purchasers and other payers are typically filed as class actions and the relief sought may include treble damages and restitution claims. Damages in adverse anti-trust verdicts are subject to automatic trebling in the USA. Similarly, anti-trust claims may be brought following settlement of patent litigation, alleging that such settlements are anti-competitive and in violation of anti-trust laws.

Sales, marketing and regulation

The Group operates globally in complex legal and regulatory environments that often vary among jurisdictions. The failure to comply with applicable laws, rules and regulations in these jurisdictions may result in civil and criminal legal proceedings. As those rules and regulations change or as governmental interpretation of those rules and regulations evolve, prior conduct may be called into question. In the USA, for example, the Group is responding to federal and state governmental investigations into pricing, marketing and reimbursement of its prescription drug products. These investigations could result in related restitution or civil false claims act litigation on behalf of the federal or state governments, as well as related proceedings initiated against the Group by or on behalf of consumers and private payers. Such proceedings may result in trebling of damages awarded or fines in respect of each violation of law. Criminal proceedings may also be initiated against Group companies or individuals.

Third party competition

The Group operates in highly competitive businesses. In the pharmaceuticals business, it faces competition both from proprietary products of large international manufacturers and producers of generic pharmaceuticals. Significant product innovations, technical advances or the intensification of price competition by competitors could adversely affect the Group's operating results. Continued consolidation in the pharmaceutical industry could adversely affect the Group's competitive position, while continued consolidation among the Group's customers may increase pricing pressures. The Group had 13 products with over £500 million in annual global sales in 2006.

Among these products is *Augmentin IR*, with respect to which the Group has generic competition, and *Avandia*, *Valtrex*, and *Wellbutrin XL*, with respect to which the Group's intellectual property rights in the USA are currently the subject of litigation, and two others – *Zofran* and the 300 mg tablet version of *Wellbutrin XL* – with respect to which the Group has had generic competition since the fourth quarter of 2006.

Outlook and risk factors

(continued)

If these or any of the Group's other major products were to become subject to a problem such as unplanned loss of patent protection, unexpected side effects, regulatory proceedings, publicity affecting doctor or patient confidence or pressure from competitive products, or if a new, more effective treatment should be introduced, the adverse impact on the Group's revenues and operating results could be significant. In particular, the Group faces intense competition from manufacturers of generic pharmaceutical products in all of its major markets. Generic products often enter the market upon expiration of patents or data exclusivity periods for the Group's products. Introduction of generic products typically leads to a dramatic loss of sales and reduces the Group's revenues and margins for its proprietary products. The expiration dates for patents for the Group's major products are set out on page 23 and legal proceedings involving patent challenges are set out in Note 43 to the financial statements, 'Legal proceedings'.

Governmental and payer controls

Pharmaceutical products are subject to price controls or pressures and other restrictions in many markets, including Japan, Germany, France and Italy. Some governments intervene directly in setting prices. In addition, in some markets major purchasers of pharmaceutical products (whether governmental agencies or private health care providers) have the economic power to exert substantial pressure on prices or the terms of access to formularies.

The Group cannot predict whether existing controls will increase or new controls will be introduced that will reduce the Group's margins or affect adversely its ability to introduce new products profitably.

For example, in the USA, where the Group has its highest margins and most sales for any country, pricing pressures could significantly increase following implementation of the pharmaceutical benefit under Medicare or in the event that other state programmes to control the cost of prescription drugs are adopted. As experience develops under the Medicare programme outpatient pharmaceutical coverage for its beneficiaries that began in 2006, the US government, or the private insurers through which coverage is offered, through their enormous purchasing power under the programme could demand discounts that may implicitly create price controls on prescription drugs. Changes to the enabling legislation could afford the US government a direct role in negotiating prices under the Medicare programme. Additionally a number of states have proposed or implemented various schemes to control prices for their own senior citizens' programmes, including importation from other countries and bulk purchases of drugs. The growth in the number of patients covered through large managed care institutions in the USA, which is likely to increase with implementation of the Medicare benefit, also increases pricing pressures on the Group's products. These trends may adversely affect the Group's revenues and margins from sales in the USA.

The Group must comply with a broad range of regulatory controls on the testing, approval, manufacturing and marketing of many of its pharmaceutical and consumer healthcare products, particularly in the USA and countries of the European Union, that affect not only the cost of product development but also the time required to reach the market and the uncertainty of successfully doing so. Stricter regulatory controls also heighten the risk of withdrawal by regulators on the basis of post-approval concerns over product safety, which would reduce revenues and can result in product recalls and product liability lawsuits.

In addition, in some cases the Group may voluntarily cease marketing a product (for example, the withdrawal of *Lotronex* in 2000 shortly after its initial launch in the USA) or face declining sales based on concerns about efficacy or safety, whether or not scientifically justified, even in the absence of regulatory action. The development of the post-approval adverse event profile for a product or the product class may have a major impact on the marketing and sale of the product.

The manufacture of pharmaceutical products and their constituent materials requires compliance with good manufacturing practice regulations. The Group's manufacturing sites are subject to review and approval by the FDA and other regulatory agencies. Compliance failure by suppliers of key materials or the Group's own manufacturing facilities could lead to product recalls and seizures, interruption of production and delays in the approvals of new products pending resolution of manufacturing issues. Non-compliance can also result in fines and disgorgement of profits. Any interruption of supply or fines or disgorgement remedy could materially and adversely affect the Group's financial results. The Group's Cidra, Puerto Rico facility has worked at resolution of FDA observations of deficiencies in manufacturing practices and is subject to a consent decree entered into with the FDA during 2005, as referred to in Note 43 to the financial statements, 'Legal proceedings'. As a consequence of those discussions, supplies of certain products manufactured at Cidra were curtailed or constricted which had an adverse impact on sales in 2005 and 2006.

Although the Group undertakes business continuity planning, single sourcing for certain components, bulk active materials and finished products creates a risk of failure of supply in the event of regulatory non-compliance or physical disruption at the manufacturing sites.

In the USA, in line with other pharmaceutical companies, the Group sells its products through a small number of wholesalers in addition to hospitals, pharmacies, physicians and other groups. Sales to the three largest wholesales amounted to approximately 80% of the Group's US pharmaceutical sales. At 31st December 2006 the Group had trade receivables due from these three wholesalers totalling £1,044 million (31st December 2005 – £1,051 million). The Group is exposed to a concentration of credit risk in respect of these wholesalers such that, if one or more of them is affected by financial difficulty, it could materially and adversely affect the Group's financial results.

The Group is increasingly dependent on information technology systems, including Internet-based systems, for internal communication as well as communication with customers and suppliers. Any significant disruption of these systems, whether due to computer viruses or other outside incursions, could materially and adversely affect the Group's operations.

The effective tax rate on the Group's earnings benefits from the fact that a portion of its earnings is taxed at more favourable rates in some jurisdictions outside the UK. Changes in tax laws or in their application with respect to matters such as transfer pricing and the risk of double taxation that relate to the portion of the Group's earnings taxed at more favourable rates, or a restriction in tax relief allowed on the interest on intra-Group debt, could increase the Group's effective tax rate and adversely affect its financial results. In 2006 the Group resolved the claims by the US Internal Revenue Service related to Glaxo heritage products. The Group has open issues with the revenue authorities in the UK, Japan and Canada. These matters are discussed in Note 12 to the financial statements, 'Taxation'.

In the event of pandemic influenza, the Group could be subject to disruption from a range of factors. National governments may be more willing to abrogate intellectual property rights for medicines that might otherwise be in short supply. In a country afflicted by pandemic 'flu, there would be a risk that employees and their families will be affected with the consequence that sales and distribution and manufacturing activities could be shut down and supply continuity – for active ingredients and finished goods – affected.

The environmental laws of various jurisdictions impose actual and potential obligations on the Group to remediate contaminated sites. The Group has also been identified as a potentially responsible party under the US Comprehensive Environmental Response Compensation and Liability Act at a number of sites for remediation costs relating to the Group's use or ownership of such sites. Failure to manage properly the environmental risks could result in additional remedial costs that could materially and adversely affect the Group's operations. See Note 43 to the financial statements, 'Legal proceedings', for a discussion of environmental-related proceedings in which the Group is involved.

The Group conducts a substantial portion of its operations outside the UK. The Group's management of foreign exchange rates is discussed in Business Review, 'Foreign exchange risk management' (see page 43). Fluctuations in exchange rates between Sterling and other currencies, especially the US dollar, the Euro and the Japanese Yen, could materially affect the Group's financial results.

The Group has no control over changes in inflation and interest rates, foreign currency exchange rates and controls or other economic factors affecting its businesses or the possibility of political unrest, legal and regulatory changes or nationalisation in jurisdictions in which the Group operates. These factors could materially affect the Group's future results of operations.

New or revised accounting standards, rules and interpretations promulgated from time to time by international or US accounting standard setting boards could result in changes to the recognition of income and expense that may adversely impact the Group's reported financial results. International and US accounting standards changes in the market valuation of certain financial instruments (such as the equity collar linked to the Group's investment in Quest Diagnostics, the put and call options linked to the Group's strategic alliance with Theravance and impairments of equity investments) are reflected in the Group's reported results before those gains or losses are actually realised and could have a significant impact on the income statement in any given period. Also, under international accounting standards, accounting for deferred taxation on inter-company inventory may give rise to volatility depending upon the ownership of the inventory at the balance sheet date.

Regulators regularly review the financial statements of listed companies like GSK for compliance with accounting and regulatory requirements.

The Group believes that it complies with the appropriate regulatory requirements concerning its financial statements and disclosures. However, other companies have experienced investigations into potential non-compliance with accounting and disclosure requirements that have resulted in restatements of previously reported results and sometimes significant penalties.

The Group has approximately 100,000 employees around the world and is subject to laws and regulations concerning its employees – ranging from discrimination and harassment to personal privacy to labour relations – that vary significantly from jurisdiction to jurisdiction. Failure to continue to recruit and retain the right people and maintain a culture of compliance could have a significant adverse effect on the Group.

Financial review 2005

In accordance with US SEC disclosure requirements, the following discussion compares results for the year to 31st December 2005 with the results for the year to 31st December 2004. The information has been prepared under IFRS.

All growth rates are at constant exchange rates (CER) unless otherwise stated. The sterling growth rates may be found in the tables of pharmaceutical turnover by therapeutic area on page 50.

Currencies

The currencies that most influence the Group's results are the US dollar, the Euro and the Japanese Yen.

In 2005, the US dollar strengthened by over 10% against the pound, rising to $1.72 at the year-end following two years of weakness. Both the Euro and Japanese Yen year-end rates weakened against the pound by just over 3%.

Global pharmaceutical market

Global pharmaceutical sales increased by 6% in 2005 to £302 billion.

World market by geographic region	Value £bn	% of total	Growth £%
USA	132.0	44	3
Europe	86.8	29	8
Germany	16.4	5	8
France	15.9	5	9
UK	10.5	3	–
Italy	9.9	3	3
Japan	32.5	11	4
Asia Pacific	20.5	7	13
Latin America	13.7	4	15
Middle East, Africa	9.8	3	17
Canada	7.0	2	14
Total	302.3	100	6

Growth in the US market has slowed to 3%, but it still represents 44% of the global prescription pharmaceutical market compared with 30% a decade ago.

At 30th September 2005, GSK held second position in the world pharmaceutical market with a market share of 6.3%, behind Pfizer with a market share of 8.9%. GSK had eight of the world's top 60 pharmaceutical products. These were *Avandia*, *Flixonase*, *Imigran/Imitrex*, *Lamictal*, *Seretide/Advair*, *Seroxat/Paxil*, *Wellbutrin* and *Zofran*.

World market – top five therapeutic classes	Value £bn	% of total	Growth CER%	Growth £%
Cardiovascular	50.7	17	7	6
Central nervous system	49.7	16	6	4
Alimentary tract and metabolic	36.6	12	6	5
Anti-infectives (bacterial, viral and fungal) excluding vaccines	32.2	11	7	5
Respiratory	20.7	7	8	7

(Note: data based on 12 months to 30th September 2005.)

GSK pharmaceutical turnover

Total pharmaceutical turnover in 2005 was £18,661 million compared with £17,100 million in 2004, an increase of 8% CER. In sterling terms turnover increased 9%, principally due to the strength of the Euro and other International currencies

Pharmaceutical turnover growth

GSK's ability to continue to deliver pharmaceutical turnover growth is primarily due to an exceptionally broad product portfolio of fast-growing, high-value products. Sales of GSK's largest product, *Seretide/Advair*, were up 22% to £3.0 billion and continued to gain market share across all regions. Market share by value in the anti-asthma and COPD therapy class was 27% in Europe and 33% in the USA, an increase of 2 percentage points in both cases compared with 2004. Sales of diabetes treatments were also strong, with *Avandia/Avandamet* up 18% to £1.3 billion. GSK launched *Avandia* for the treatment of type 2 diabetes in 1999 and a combination product, *Avandamet*, for blood sugar control in 2002. The product group was expanded further in February 2006 with the launch in the USA of a fixed-dose combination treatment, *Avandaryl*, which combines *Avandia* with a sulfonylurea. In 2005, *Avandia/Avandamet* achieved a market share by value in oral anti-diabetics of 14% in Europe and 35% in the USA, up 3 and 6 percentage points, respectively.

Other fast growing products were *Lamictal* for epilepsy/bipolar disorder, up 24% (£0.8 billion), *Valtrex* for herpes, up 21% (£0.7 billion), *Coreg* for heart disease, up 32% (£0.6 billion) and vaccines, up 15% (£1.4 billion).

In addition, in 2005 there was a rapid uptake of a number of high potential products such as *Requip*, for restless legs syndrome (sales up 34% to £156 million), *Avodart* for benign prostatic hyperplasia (sales doubled to £129 million) and *Boniva/Bonviva* for the treatment of osteoporosis, which was launched in 2005 and captured a 10% share of new prescriptions for oral bisphosphonates in the US market.

Respiratory

GSK continues to be the global leader in respiratory pharmaceuticals with sales of its three key products, *Seretide/Advair*, *Flixotide/Flovent* and *Serevent*, amounting to £4.0 billion, up 15%. *Seretide/Advair* sales rose 26% to £1.7 billion in the USA. Sales were also strong in both European and International markets, which were up 16% to £1 billion and £0.3 billion, respectively.

Central nervous system (CNS)

CNS sales declined 8% to £3.2 billion. Sales declined in the USA and Europe, with a small gain in International. Total *Paxil* sales fell 42% to £615 million, due to generic competition and the interruption in supply to *Paxil CR* during the year. See 'Product supply' on page 49. Partially mitigating this decline was the strong performance of *Paxil* in Japan, up 17% to £197 million.

Total *Wellbutrin* turnover fell 2% to £739 million. *Wellbutrin IR* and *SR* sales fell 68% to £92 million due to generic competition, but this was largely offset by the very strong performance of *Wellbutrin XL* (up 38% to £647 million).

The strong growth of GSK's epilepsy and bi-polar disorder treatment *Lamictal* continued, with sales up 24% to £849 million, driven by the indication for the maintenance treatment of bi-polar disorder.

Requip sales rose 34% to £156 million. By Q1 2006, weekly new prescriptions for the product have quadrupled in the USA since it was launched for restless legs syndrome (RLS) in Q2 2005.

Global HIV product sales grew 5% to £1.6 billion, with sales from new products *Epzicom/Kivexa* and *Lexiva* (together more than doubling to £226 million) offsetting the performance of *Trizivir* (down 6% to £303 million) and *Epivir* (down 12% to £261 million). Sales of the herpes treatment *Valtrex* grew 21% to £695 million. Performance is being driven by the USA (up 26% to £470 million) where the product is the clear market leader in treatments for genital herpes.

Anti-bacterial sales declined 3% worldwide. In the USA the decline was 27% reflecting increased generic competition.

The diabetes treatments *Avandia/Avandamet* continued to perform very strongly, with overall sales of £1.3 billion, up 18%. In the USA, sales grew 14% to £977 million. *Avandia/Avandamet* are also establishing strong positions in Europe, with sales rising 52% to £157 million, helped by the launch of *Avandamet*. Sales in International markets rose 13% to £195 million.

Boniva/Bonviva, a new once-monthly oral bisphosphonate for the treatment of osteoporosis, which was developed with Roche, had a strong launch in the USA and in February 2006 had a 10% share of new prescriptions for oral bisphosphonates. *Boniva* injection, the first-ever quarterly treatment for osteoporosis, was approved in the USA in January 2006 and received a positive opinion from the CHMP in Europe on 27th January 2006.

The vaccines business performed well, with total sales rising 15% to £1.4 billion, led by *Infanrix*. Vaccine sales were particularly strong in the USA, where turnover rose 26% to £338 million, helped by the launch of two new products, *Fluarix* and *Boostrix*.

In July, GSK acquired Corixa Corporation for £150 million and in December, completed the acquisition of ID Biomedical Corporation for £0.9 billion.

Sales of *Zofran* grew 9% to £837 million, driven by the US market, up 12% to £639 million.

Sales of *Coreg* for heart disease grew 32% to £573 million.

Avodart for benign prostatic hyperplasia (enlarged prostate) had a very strong year, with sales doubling to £129 million. By January 2006 the product accounted for 42% of new prescriptions in the US 5-Alpha Reductase Inhibitor market.

Sales of *Zantac* fell 12% to £244 million, with declines in all regions.

Following FDA inspections in October 2003 and November 2004, which identified possible deficiencies in manufacturing practices at the Group's facility at Cidra in Puerto Rico, the FDA halted distribution of supplies of *Paxil CR* and *Avandamet* in March 2005. This site is engaged in tableting and packaging for a range of GSK products, primarily for the US market including *Paxil, Paxil CR, Coreg, Avandia* and *Avandamet*. In April 2005, the Group reached agreement with the FDA on a Consent Decree, which provides for an independent expert to review manufacturing processes at the site for compliance with FDA Good Manufacturing Practice requirements. The Decree also allows for potential future penalties, up to a maximum of $10 million a year, if GSK fails to meet its terms.

In June 2005, the Group began re-supplying the US and other markets with both *Paxil CR* and *Avandamet*. The sales of these products were significantly impacted in 2005 by this interruption in supply. The impact on *Avandamet* was mitigated by the switching of patients to *Avandia*. In 2005, the Group also established a provision for the external costs required to rectify the manufacturing issues at the plant. For further details see Risk factors on pages 44 to 47 and Note 43 to the financial statements, 'Legal proceedings'.

	2005 £m	2004 £m	Growth CER%	Growth £%
OTC medicines	**1,437**	1,400	1	3
Analgesics	362	333	6	9
Dermatological	161	180	(12)	(11)
Gastro-intestinal	249	241	1	3
Respiratory tract	154	145	5	6
Smoking control	336	327	2	3
Natural wellness support	133	136	(4)	(2)
Oral care	**943**	913	2	3
Nutritional healthcare	**619**	573	7	8
	2,999	2,886	2	4

The growth in Consumer Healthcare sales of 2% to £3.0 billion comprised an OTC medicines sales increase of 1%, a Nutritional healthcare sales increase of 7% and an Oral care sales increase of 2%.

Financial review 2005

continued

Pharmaceutical turnover by therapeutic area 2005

Therapeutic area/ major products	% of total	Total 2005 £m	Total 2004 £m	Total Growth CER%	Total Growth £%	USA 2005 £m	USA Growth CER%	USA Growth £%	Europe 2005 £m	Europe Growth CER%	Europe Growth £%	International 2005 £m	International Growth CER%	International Growth £%
Respiratory	27	**5,054**	4,394	**14**	**15**	**2,580**	**17**	**18**	**1,660**	**8**	**9**	**814**	**13**	**17**
Seretide/Advair		3,003	2,441	22	23	1,687	26	27	1,033	16	17	283	16	24
Flixotide/Flovent		638	618	2	3	262	4	4	188	(3)	(1)	188	3	6
Serevent		330	349	(7)	(5)	104	(20)	(19)	160	(3)	(1)	66	12	14
Flixonase/Flonase		656	578	13	13	506	12	12	60	(1)	2	90	27	30
Central Nervous System	17	**3,219**	3,462	**(8)**	**(7)**	**2,051**	**(10)**	**(10)**	**704**	**(7)**	**(6)**	**464**	**2**	**5**
Seroxat/Paxil		615	1,063	(42)	(42)	133	(75)	(74)	187	(26)	(25)	295	–	1
Paxil IR		488	667	(27)	(27)	18	(87)	(87)	187	(26)	(25)	283	(1)	(1)
Paxil CR		127	396	(68)	(68)	115	(70)	(70)	–	–	–	12	40	50
Wellbutrin		739	751	(2)	(2)	723	(2)	(2)	2	42	100	14	(14)	(7)
Wellbutrin IR, SR		92	284	(68)	(68)	80	(70)	(70)	2	42	100	10	(35)	(23)
Wellbutrin XL		647	467	38	39	643	37	38	–	–	–	4	>100	100
Imigran/Imitrex		697	682	1	2	504	2	2	144	1	1	49	(2)	2
Lamictal		849	677	24	25	568	36	37	226	3	4	55	15	22
Requip		156	116	34	34	80	50	51	68	21	21	8	22	14
Anti-virals	14	**2,598**	2,359	**9**	**10**	**1,285**	**10**	**10**	**773**	**6**	**7**	**540**	**12**	**15**
HIV		**1,554**	1,462	**5**	**6**	**766**	**2**	**3**	**607**	**8**	**9**	**181**	**12**	**15**
Combivir		583	570	1	2	283	1	1	227	–	1	73	8	12
Trizivir		303	322	(6)	(6)	166	(7)	(6)	123	(5)	(5)	14	(8)	(7)
Epivir		261	294	(12)	(11)	93	(33)	(33)	122	4	6	46	12	15
Ziagen		136	155	(14)	(12)	55	(26)	(25)	54	(8)	(10)	27	11	23
Retrovir		41	43	(6)	(5)	14	(17)	(18)	16	(6)	–	11	12	10
Agenerase, Lexiva		112	63	77	78	70	50	52	36	>100	>100	6	46	20
Epzicom/Kivexa		118	1	>100	>100	85	–	–	29	>100	>100	4	>100	>100
Herpes		**826**	718	**14**	**15**	**476**	**24**	**25**	**139**	**–**	**1**	**211**	**4**	**6**
Valtrex		695	571	21	22	470	26	27	98	9	9	127	12	13
Zovirax		131	147	(11)	(11)	6	(32)	(45)	41	(16)	(15)	84	(6)	(5)
Zeffix		145	130	9	12	12	11	9	21	(8)	(5)	112	13	15
Anti-bacterials	8	**1,519**	1,547	**(3)**	**(2)**	**261**	**(27)**	**(27)**	**718**	**3**	**4**	**540**	**5**	**7**
Augmentin		666	708	(7)	(6)	139	(38)	(38)	316	5	6	211	11	13
Augmentin IR		552	533	2	4	40	(34)	(32)	305	3	4	207	11	14
Augmentin ES, XR		114	175	(35)	(35)	99	(40)	(40)	11	97	83	4	(19)	(20)
Zinnat/Ceftin		197	205	(6)	(4)	10	2	11	112	(9)	(7)	75	(4)	(1)
Metabolic	8	**1,495**	1,251	**18**	**20**	**995**	**16**	**17**	**190**	**39**	**43**	**310**	**12**	**17**
Avandia		1,154	892	27	29	864	31	32	112	20	23	178	15	22
Avandamet		175	222	(22)	(21)	113	(43)	(43)	45	>100	>100	17	2	13
Bonviva/Boniva		18	–	>100	>100	17	–	–	1	>100	>100	–	–	–
Vaccines	8	**1,389**	1,194	**15**	**16**	**338**	**26**	**26**	**592**	**12**	**14**	**459**	**10**	**13**
Hepatitis		444	405	8	10	137	1	2	224	11	12	83	13	17
Infanrix, Pediarix		431	356	19	21	145	13	12	202	24	25	84	20	27
Oncology and emesis	5	**1,016**	934	**8**	**9**	**761**	**12**	**12**	**164**	**(4)**	**(4)**	**91**	**1**	**7**
Zofran		837	763	9	10	639	12	13	124	(5)	(5)	74	3	9
Hycamtin		99	99	(1)	–	66	2	3	27	(6)	(7)	6	(6)	–
Cardiovascular and urogenital	7	**1,331**	932	**41**	**43**	**766**	**36**	**36**	**415**	**57**	**59**	**150**	**32**	**39**
Coreg		573	432	32	33	568	33	34	–	–	–	5	(30)	(29)
Levitra		40	49	(19)	(18)	35	79	75	4	(78)	(81)	1	(94)	(88)
Avodart		129	64	100	>100	65	90	91	55	>100	>100	9	>100	>100
Arixtra		24	6	>100	>100	15	>100	>100	8	>100	>100	1	>100	>100
Fraxiparine		211	56	>100	>100	–	–	–	179	>100	>100	32	>100	>100
Vesicare		13	–	–	–	13	–	–	–	–	–	–	–	–
Other	6	**1,040**	1,027	**–**	**1**	**69**	**(22)**	**(22)**	**321**	**(2)**	**(1)**	**650**	**3**	**6**
Zantac		244	273	(12)	(11)	58	(19)	(17)	64	(15)	(11)	122	(6)	(7)
	100	**18,661**	17,100	**8**	**9**	**9,106**	**8**	**8**	**5,537**	**8**	**9**	**4,018**	**9**	**12**

CER% represents growth at constant exchange rates. £% represents growth at actual exchange rates.

Over-the-counter medicines

Over-the-counter medicine sales were £1,437 million, up 1%. Growth from analgesics, up 6%, and respiratory tract, up 5%, helped offset the loss of sales from the dermatological products divested in 2004. *Panadol* growth of 12% in International markets was the key driver of the growth in analgesics.

Oral care sales grew 2% to £943 million. Sales of *Sensodyne* and the denture care brands (*Polident*, *Poligrip* and *Corega*) grew by 12% and 6%, respectively, helping to offset lower sales of other toothpaste products.

Nutritional healthcare product sales grew 7% to £619 million. *Lucozade*, up 11%, continued to grow strongly in Europe.

Operating profit

The analysis below of operating profit and subsequent discussion compares the 2005 results with 2004 results.

	2005		2004		Growth	
	£m	%	£m	%	CER%	£%
Turnover	**21,660**	**100.0**	19,986	100.0	7	8
Cost of sales	**(4,764)**	**(22.0)**	(4,360)	(21.8)	8	9
Selling, general and administration	**(7,250)**	**(33.5)**	(7,201)	(36.0)	–	1
Research and development	**(3,136)**	**(14.5)**	(2,904)	(14.5)	8	8
Other operating income	**364**	**1.7**	235	1.1		
Operating profit	**6,874**	**31.7**	5,756	28.8	16	19

Cost of sales

Cost of sales as a percentage of turnover increased 0.2 percentage points. At constant exchange rates, the increase was also 0.2 percentage points, reflecting higher costs related to the ongoing rectification of manufacturing issues at the Cidra site in Puerto Rico, which were only partly offset by operating efficiencies compared with the previous year.

Selling, general and administration

Selling, general and administration (SG&A) as a percentage of turnover decreased 2.5 percentage points. At constant exchange rates, the decrease was 2.2 percentage points, reflecting flat expenditure compared with the prior year on a turnover increase of 7%. SG&A costs were in line with 2004 overall, with higher advertising, promotion and selling expense being offset by lower general and administration expenditure. Advertising, promotion and selling expenses increased 3% and accounted for a 2% increase in total SG&A. General and administration costs declined 4% and accounted for a 2% reduction in total SG&A.

This was due to lower charges related to legal matters, equal to a 2% reduction in total SG&A, and lower share-based payment charges, equal to a 1% decrease in total SG&A, partly offset by higher costs related to programmes to deliver future cost savings equal to a 1% increase in total SG&A.

R&D

R&D expenditure as a percentage of turnover was 14.5%, in line with 2004, and increased 8% compared with the previous year, partly as a result of some write-offs of intangible assets. Excluding these write-offs, R&D expenditure grew slightly below turnover growth. Pharmaceuticals R&D expenditure represented 16.2% of pharmaceutical turnover.

Other operating income

Other operating income includes royalty income, equity investment disposals and impairments, product disposals and fair value adjustments to the Quest collar and Theravance options. Other operating income was £364 million in 2005 compared with £235 million in 2004. The increased income in 2005 is predominantly due to increased product and asset disposal gains compared with 2004, and a favourable fair value movement of £19 million in the Quest collar and the Theravance options.

Operating profit

Overall, the operating profit margin increased 2.9 percentage points as operating profit of £6,874 million increased 19% in sterling terms. At constant exchange rates operating profit increased 16% and the margin increased 2.5 percentage points, reflecting the lower charges relating to legal matters and share-based payments, higher product and asset disposals and increases in advertising, promotion and selling that were below the rate of turnover growth. Partially offsetting these items were higher costs related to programmes to deliver future cost savings and increased R&D expenditure.

Profit before taxation

The discussion below compares the 2005 results with the 2004 results. Gains from asset disposals, including associates, were £290 million (2004 – £295 million), costs for legal matters were £430 million (2004 – £595 million) and charges relating to cost-saving programmes were £141 million (2004 – £104 million). Share-based payments in 2005 were £236 million (2004 – £333 million).

Share of profits of associates

The share of profits of associates arises principally from the Group's holding in Quest Diagnostics Inc..

Disposal of interest in associates

There were no disposals of interests in associates in 2005. During 2004, the Group disposed of 3.8 million shares from its investment in Quest Diagnostics Inc. for cash proceeds of £188 million. A profit of £150 million was recognised. The Group's shareholding in Quest as at 31st December 2005 was 18.4%.

Financial review 2005

continued

[illegible]

	2005 £m	2004 £m
Finance income		
Interest income	**276**	173
Unwinding of discount on assets	**–**	3
Fair value adjustments	**(19)**	–
	257	176
Finance costs		
Interest costs	**(427)**	(346)
Unwinding of discount on liabilities	**(25)**	(16)
Fair value adjustments	**1**	–
	(451)	(362)

Finance income increased compared with 2004 predominantly due to higher interest rates and higher cash balances. Finance costs increased due to higher interest rates as well as higher interest costs resulting from the issue of two €750 million bonds in 2005.

[illegible]

	2005 £m	2004 £m
UK corporation tax	**172**	148
Overseas taxation	**1,847**	1,519
Current taxation	**2,019**	1,667
Deferred taxation	**(103)**	90
Total	**1,916**	1,757

The charge for taxation on profit, amounting to £1,916 million, represents an effective tax rate of 28.5% (2004 – 30.4%). The tax rate in 2005 of 28.5% benefited from higher tax relief on the actual or potential exercise of share options by employees, arising from the increase in the share price in the year.

The integrated nature of the Group's worldwide operations, involving significant investment in research and strategic manufacture at a limited number of locations, with consequential cross-border supply routes into numerous end-markets, gives rise to complexity and delay in negotiations with revenue authorities as to the profits on which individual Group companies are liable to tax. Disagreements with, and between, revenue authorities as to intra-Group transactions, in particular the price at which goods should be transferred between Group companies in different tax jurisdictions, can produce conflicting claims from revenue authorities as to the profits to be taxed in individual territories. Resolution of such issues is a continuing fact of life for GSK. The Group had significant open issues with the revenue authorities in the USA, UK, Japan and Canada, details of which are set out in Note 12 to the financial statements, 'Taxation'.

Profit for the year

	2005 £m	2004 £m	Growth CER%	Growth £%
Profit after taxation for the year	**4,816**	4,022	17	20
Profit attributable to shareholders	**4,689**	3,908	17	20
Earnings per share (pence)	**82.6p**	68.1p	18	21
Earnings per ADS (US$)	**$3.00**	$2.49	18	21
Weighted average number of shares (millions)	**5,674**	5,736		
Diluted earnings per share (pence)	**82.0p**	68.0p		
Diluted earnings per ADS (US$)	**$2.98**	$2.49		
Weighted average number of shares (millions)	**5,720**	5,748		

Profit for the year was £4,816 million, an increase of 17% (20% in sterling terms). Profit attributable to minority interests was £127 million and profit attributable to shareholders was £4,689 million, an increase of 17% (20% in sterling terms).

Earnings per share increased 18%, reflecting higher profits and also the reduction in the weighted average number of shares resulting from the Group's share buy-back programme. The interest cost of this programme also impacts the Group's earnings.

At actual rates of exchange, earnings per share increased 21%. The favourable currency impact on EPS of three percentage points reflects a strengthening of the US dollar and Euro average exchange rates relative to 2004 and compares with a 1% favourable currency impact on turnover. This difference principally arises from a different mix of currencies in profits compared with turnover.